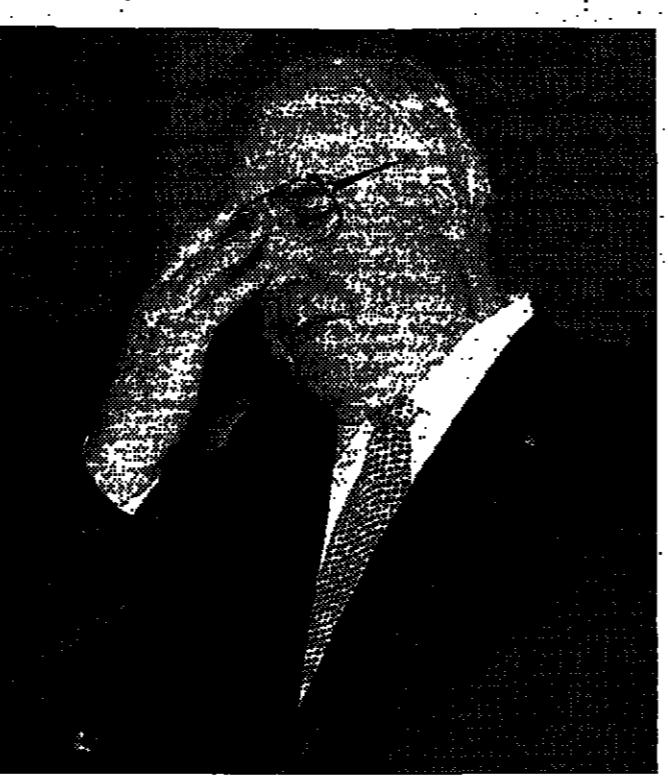




The French prime minister, Lionel Jospin, and his labor minister, Martine Aubry, announcing an emergency fund for the unemployed on Friday in Paris. Page 2.



Mr. Kohl at a press conference Friday in Windhagen. "It will not be possible to cut unemployment by half," he said.

Relief in Jakarta Doesn't Impress Wall Street

U.S. and IMF Act To Bolster Rupiah, But Dow Falls 222

By Michael Richardson
International Herald Tribune

Wall Street tumbled Friday, with the Dow Jones industrial index sliding more than 220 points on concern that weak Asian economies would crimp demand for U.S. exports and cut corporate profits.

The drop was dramatic even as an emergency initiative started by the Clinton administration and the International Monetary Fund calmed Indonesia's markets. This persuaded traders there, at least temporarily, that a potentially devastating loan default by the world's fourth-most-populous nation might be avoided.

The Indonesian rupiah recovered almost 30 percent of its value against the dollar in Asian trade after President Bill Clinton telephoned President Suharto early Friday. American officials said that Mr. Clinton received an assurance that Jakarta was committed to carry out far-reaching reforms agreed to in October with the IMF in exchange for rescue loans totaling \$40 billion.

But despite this boost to sentiment, the rupiah lost ground again in thin trading later in the day. It was at 8,150 to the dollar in New York.

Stocks dropped on Wall Street by as much as 275.26 points, or 3.53 percent, led by IBM, Travelers Group and Exxon



PANIC-BUYING — Police guarding a line to buy cooking oil in Jakarta on Friday, as tensions mounted over Indonesia's economic crisis. Page 14.

before closing at 7580.42 points, down 222.20 for the day. U.S. bond yields, which also focused on Asia's financial crisis, fell because of the potential drag on the economy. Bloomberg News reported. (Page 10.)

In New York on Thursday, the Indonesian rupiah hit a historic low of 11,000 after panic buying of food in Jakarta and other Indonesian cities and rumors that Mr. Suharto, in power for 32 years, might be forced to resign.

Crowds still jammed supermarkets

Friday in the capital even after Mr. Suharto, a retired army general, ordered

See ASIA, Page 14

The Dollar		
New York	Friday @ 4 P.M.	previous close
DM	1.8229	1.8215
Pound	1.8127	1.8125
Yen	132.15	132.695
FF	6.099	6.0225

The Dow		
	Friday close	previous close
S&P 500	7580.42	7802.62
change	222.2	212.20
Friday @ 4 P.M.		
previous close		
-28.35	927.69	956.04

Wary G-7 Officials Fear Growing Risk of Default by Indonesia

By Alan Friedman
International Herald Tribune

Senior Western financial officials said Friday they believed there was a serious risk that Indonesia might default on tens of billions of dollars of foreign debt.

"The risk of default is now probably quite large," said a Western official who is working closely with the International Monetary Fund.

Several senior central bank and Finance Ministry officials from the Group of Seven industrial nations, all of whom spoke on condition they not be named, said that the chances of Indonesia restoring market confidence and avoiding a default were likely to hinge on the success over the next few days of visits to Jakarta by top IMF officials and by Larry Summers, the deputy U.S. Treasury secretary.

The problem, they said, is that Indonesia's actual foreign-currency debt is thought to be substantially larger than the official total of \$58.7 billion, and much of it is scattered across the country's corporate sector rather than held by banks.

In addition, given the rupiah's current low level against the U.S. dollar, many Indonesian debtors will simply be unable to finance their debt repayments, at least for the time being.

"There is no silver bullet to solve the Indonesian crisis," said Mark Malloch-Brown, a senior vice-president of the World Bank.

While international bankers who met in New York on Thursday were able to agree to delay debt repayments by South Korea to pave the way for an overall debt rescheduling, the situation in Indonesia was described by one Western official as "a lot messier." South Korea's crisis is now considered to be on the way to stabilizing, while Indonesia's outlook remains uncertain, the officials said.

Because Indonesia does not have bankruptcy laws similar to those in other countries, it could be difficult to determine who the country's priority creditors were, thus complicating any attempted debt rescheduling, the officials agreed.

Stanley Fischer, the IMF's first deputy managing director, left for Jakarta on Friday, while the IMF's managing director, Michel Camdessus, was

See ULSTER, Page 5

See CRISIS, Page 14

Ulster Aide Appears to Defuse Crisis

By James F. Clarity
New York Times Service

BELFAST — Mo Mowlam, the highest-ranking official in this British province, appeared to have averted an imminent crisis in the Northern Ireland peace effort Friday as she visited a high-security prison and persuaded Protestant paramilitary prisoners not to try to disrupt the formal peace talks, which resume here Monday.

Two hours after her visit, prisoners of a key Protestant guerrilla group, the Ulster Freedom Fighters, said they no longer opposed participation in the talks by their political leaders of the Ulster Democratic Party.

If other Protestant groups, as expected, also agree to attend the talks, a

major setback for the peace effort will have been averted. But officials and experts cautioned that there were likely to be many more political disputes that could disrupt the talks, and, as they have in recent weeks, to renewed sectarian violence. Ms. Mowlam spoke to Protestant and Roman Catholic inmates serving sentences for terrorist crimes such as murder and gun-running.

British officials said Ms. Mowlam was the first Northern Ireland secretary to visit with convicted paramilitaries. The visits, lasting a total of an hour and 45 minutes at the Maze prison south of Belfast, were designed to allay the growing fear in this predominantly Protestant province that recent paramilitary violence could

See ULSTER, Page 5

See CRISIS, Page 14

A Door Is Opened to Iran U.S. Proposed Talks After Khatami Inauguration

By Barton Gellman
Washington Post Service

WASHINGTON — The Clinton administration recently proposed to the government of Iran that they open direct talks, conveying the overture in writing by way of a sensitive diplomatic channel reserved previously for pointed warnings and threats, officials report.

The proposal, delivered by the Swiss

Newsstand Prices

Andorra	10.00 FF Lebanon	LL 3,000
Antilles	12.50 FF Morocco	16 Dh
Cameroun	1,600 CFA Qatar	10.00 QR
Egypt	5E 5.50 Réunion	12.50 FF
France	10.00 FF Saudi Arabia	10 SR
Gabon	1,100 CFA Senegal	1,100 CFA
Italy	2,800 Lira Spain	225 Ptas
Ivory Coast	1,250 CFA Tunisia	1,250 Dn
Jordan	1,250 JD U.A.E.	10.00 Dh
Kuwait	700 Fils U.S. M. (Eur.)	\$1.20

ambassador, Rudolf Weiersmueller, to the Iranian Foreign Ministry, followed Mohammed Khatami's inauguration as president in August. The officials said it was the first such authorized overture to Iran's ruling clerics and represented U.S. hopes that Iran might be ripe for an opening after 18 years of enmity.

No details were available of the precise date or content of the letter, directed formally to the Islamic Republic of Iran from the United States of America, and officials familiar with the transaction declined to disclose anything about an Iranian reply, if any.

But officials described Mr. Khatami's

call for dialogue, in an interview telecast Wednesday evening, as a kind of

public answer, far more detailed than

anything conveyed secretly and highly

encouraging to President Bill Clinton's

foreign policy team.

The State Department spokesman,

James Rubin, who was chosen to deliver

most of the administration's public re-

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Bonn Hails 8-Nation European Pact to Slow Flood of Kurdish Refugees

By John Schmid
International Herald Tribune

FRANKFURT — Germany, where widespread fear of illegal immigration has ignited an election-year uproar, welcomed on Friday an eight-nation European agreement to tighten border controls and stem an exodus of Kurdish refugees from Turkey.

During a symbolic visit to the German border with France, Interior Minister Manfred Kanther said that a "declaration of intent" reached Thursday at a meeting of European police chiefs in Rome was "successful."

In recent days, German border patrols have detained only four Iraqi Kurds on the French-German border, a result that Mr. Kanther called "gratifying."

Following Mr. Kanther's repeated de-

nunciations this week of the border defenses of Italy, Greece and Turkey, his latest comments reflect what diplomats described as a partial de-escalation of a crisis that had threatened to disrupt relations within the European Union and to worsen the EU's relations with Turkey.

Tensions peaked after 1,200 Kurdish refugees arrived on Italy's shores this month. Germany believes most are headed north to its territory, where about a half million Kurds already live.

Germany, which has accepted more Bosnian and Kurdish refugees than all the other European nations combined, balked at what appear to be easy transit routes available to Kurds seeking to escape economic distress and fighting in southeastern Turkey and northern Iraq.

Television images of the boat landings in Italy triggered an outcry from

German politicians against a landmark passport-free travel zone inside the EU. Meanwhile, Italy's ready acceptance of the refugees threatened to undermine EU attempts to forge a common immigration and asylum policy.

Germany took the lead in demanding the meeting in Rome, which included police officials from Italy, Greece, Turkey, and France. As a result of the 10-hour meeting, the officials agreed to step up both border controls within the Union and patrols of coastlines and other external EU borders.

These "useful resolutions" apply in particular to "our Italian and Greek friends," Mr. Kanther said. The police officials also agreed to a wide-ranging exchange of criminal and investigative information to combat what Mr. Kanther has denounced as a "criminal wave of

migration" into Germany and other European countries that offer asylum-seekers generous welfare benefits.

Significantly, Mr. Kanther also gave a strong endorsement to the so-called Schengen treaty, under which border controls are being phased out. German politicians called the Schengen system into doubt last week, with some of them demanding its abolition. Germany, Italy and seven other European Union countries are members of the Schengen group. Greece has adopted the treaty and hopes to become a full member later this year.

"You will not see a blowup of Schengen, I am convinced," Karsten Voigt, the foreign policy spokesman in the Bundestag for the opposition Social Democrats, said Friday.

Leading German politicians have been hammering on immigration themes

before national elections that are scheduled for Sept. 27. Most German politicians agree that the country and its overburdened social welfare system cannot absorb another wave of refugees.

Turkey, whose strained relations with the EU hindered an earlier response to the crisis, took much of the pressure away from the issue with a crackdown by Turkish police on the exodus of Kurdish refugees, diplomats in Bonn and Brussels said.

Turkey's status as an outsider-looking in was confirmed less than a month ago during an EU summit meeting in Luxembourg when Europe's leaders, led by the German delegation, dropped Turkey from the list of candidates

for EU membership, deferring its application as it had done several times before.

Complicating one of the most complex and problematic of the EU's foreign relationships, Prime Minister Mesut Yilmaz of Turkey responded by freezing Ankara's official political ties to the Union.

"The latest incident shows how intertwined German and Turkish interests are," said Turkey's ambassador to Bonn, Volkan Vural, defending Turkey's insistence that it belongs in the EU. Referring to the refugee issue, he said: "It shows that Turkey and the EU must act together. They cannot live in isolation."

The West has accused Ankara of human rights abuses and heavy-handed tactics in its 13-year conflict between rebel Kurdish separatists and Turkish troops in southeast Turkey, in which 27,000 people have been killed.

BRIEFLY

Elections Loom For Czech Republic

PRAGUE — The Czech Republic appeared to be headed for new elections in June after leaders of Parliament's largest party joined the second strongest one on Friday to call for new polls by June.

The center-right Civic Democratic Party led by Vaclav Klaus, a former prime minister who resigned Nov. 30 over a party financing scandal, asserted that elections should come by mid-1998 to solve a simmering political crisis quickly.

The main opposition Social Democratic Party has said it will support the cabinet of Prime Minister Josef Tosovsky only if elections are called before July.

"It is basically inevitable that the elections will be in June," said Jiri Pehe, chief political adviser to President Vaclav Havel. (Reuters)

Mir's Cosmonauts Locate Pesky Leak

MOSCOW — Two Russian cosmonauts ventured into open space for more than three hours Friday and found a defective lock that was allowing air to leak out a hatch door on the Mir space station.

Ground controllers said that they were pleased with the mission and that the problem could be fixed soon from inside the station.

Anatoli Solov'yov and Pavel Vinogradov discovered that one of 10 main locks on the door was broken, which prevented a tight seal, mission control said.

"All the tasks we placed before the crew have been carried out," said Vladimir Solov'yov, chief of mission control. (AP)

For the Record

President Boris Yeltsin of Russia will probably meet Pope John Paul II during a visit to Italy next month. A spokesman did not give any details Friday, but the Kremlin has said previously that Mr. Yeltsin would visit Italy in February. (AP)

A bomb killed a councilor of Spain's governing Popular Party on Friday. Jose Ignacio Iruagayen was killed in Zaragoza after his car was blown up in what appeared to be the first attack of 1998 by the separatist group ETA, the police said. (AP)

French Jobless Reject Jospin's Measures

By Anne Swardson
Washington Post Service

PARIS — Prime Minister Lionel Jospin, struggling to appease bands of the unemployed who have occupied a handful of benefits offices around France, said Friday that he would create an emergency fund of 1 billion francs to aid the poorest of the jobless.

But he did not accede to the demand that they be paid a year-end bonus of 3,000 francs (\$500) and receive other enhanced welfare benefits on their wish list. Representatives of the several hundred occupiers said that the proposal was not sufficient and that they were not leaving.

The numbers are small and most of France's 600-plus unemployment offices are functioning normally. But the mini-siege is being treated in the media here as a turning point for the Socialist government, which in its first seven months has, until now, escaped virtually all criticism.

Mr. Jospin's Communist allies, with whom he has an informal governing al-

liance, have endorsed the "legitimacy" of the occupiers' cause, as has Dominique Voynet, the environment minister and a member of the Green Party.

Mr. Jospin made job creation and employment a pillar of his May campaign. The unemployment rate here is 12.4 percent, and more than one-third of the jobless have been without work for a year or more. France, like many West European countries, is creating almost no new jobs.

About a month ago, small groups of activists began occupying the local unemployment offices, particularly in Marseille and elsewhere in the south. At the peak, some 30 offices were occupied; others closed to keep people out.

Christophe Agutte, representative of one of the unemployed groups, said, "When we strike at Renault, autoworkers stop making cars." What can an unemployed person do? "He has to occupy."

For Mr. Jospin, who was elected in a wave of popular resentment against politicians distant from the people, the takeovers pit his Socialist inclinations

against France's fiscal realities.

France is under great pressure to keep government spending down in order to stay within the guidelines of the planned European single currency, whose members will be chosen in May. By holding its budget deficit near 3 percent of gross domestic product, France qualifies, but barely.

"No matter the number of people engaged in this movement, I know the weight of unemployment lays on hundreds of thousands of people," Mr. Jospin said in announcing the emergency fund and other anti-poverty measures.

Representatives of the unemployed said they would seek more. The proposals were "interesting but insufficient," said Francois Dessenat, Claire Villiers said "we are extremely disappointed" that there is no measure to raise the minimum of social benefits.

Police have removed occupiers from a few of the offices, but Mr. Jospin, aware of pressure from his leftist allies, is unlikely to undertake massive action to evict everyone.

Poison Linked to Tenerife Suicide Cult

Reuters

SANTA CRUZ DE TENERIFE, Canary Islands — The Spanish police said Friday that they had found poisonously chemicals at the home of an alleged doomsday cult leader that they believe were to be used in a mass suicide by her 32 followers.

A police spokesman, Juan Antonio Perez, said that Heide Fittkau-Garthe, a German psychologist who was arrested in Tenerife on Wednesday when the police said they had foiled the suspected suicide plot, had "brainwashed" her disciples.

"A chemical substance was found at the house, and it seems the group members planned to kill themselves atop Tenerife's Teide volcano from where they believed their souls would be picked up by a spaceship, officials said.

The sect members, all Germans except for one woman from the Canary Islands, had apparently been convinced

by Ms. Fittkau-Garthe that the world would end on Thursday and that they would be rescued and taken to a new world.

"The minds of the 32 victims have been programmed, they've been brainwashed," Mr. Perez said. "They have to be deprogrammed before they can cooperate with police."

The police arrested Ms. Fittkau-Garthe, 57, who has lived in the Canary Islands for a decade, as the sect gathered to stage a "last supper," officials said. Her followers, who were not detained, have refused to talk to investigators.

Mr. Perez said Ms. Fittkau-Garthe had charged each member more than 50,000 pesetas (\$325) for each session.

Ms. Fittkau-Garthe's legal

status was being decided by a Spanish judge, who was weighing whether to keep her in custody by formally charging her with inducement to suicide or whether to place her under psychiatric observation.

Local newspapers said her followers were all from affluent backgrounds, some with university degrees.

Spanish authorities think the group emerged from the Isis Holistic Center in California.

It is one of a growing number of what the authorities called "destructive sects" that started to appear in the Canary Islands a year ago.

26 Journalists Slain in 1997

Death Toll Was Highest in India and Colombia

Reuters

PARIS — Twenty-six journalists were killed around the world last year in the course of their work with India and Colombia the most dangerous countries.

The annual report by Reporters Without Borders and the Committee to Protect Journalists said the 1997 toll marked the third consecutive drop after an especially deadly 1994, in which 103 journalists were killed.

Reporters Without Borders had announced 28 killings in 1996, and the Committee to Protect Journalists 27, with Algeria and Russia the worst toll. At least 49 journalists were killed around the world in 1993.

Seven journalists were killed in India last year, including a five-member television crew caught in a bomb attack, the report said.

Four journalists were killed in Colombia, bringing to 43 the number of journalists killed there in a decade, most of them by suspected drug traffickers. Three journalists were slain in Mexico, showing a "worrying trend toward Colombian-type violence," and two in Cam-

bodia. One journalist was killed in each of the following countries: Argentina, Brazil, Guatemala, Indonesia, Iran, Pakistan, Philippines, Rwanda, Sierra Leone and Ukraine.

The two organizations said they had asked the countries where the killings occurred to energetically investigate and punish those responsible. But in only three unspecified cases were the culprits identified and detained.

"If governments allow these crimes to go unpunished, constitutional guarantees of press freedom become meaningless," said the report, which was released simultaneously in Paris and New York.

For the first time since 1993, no journalist was killed in Algeria. About 60 journalists have been assassinated by suspected Algerian Muslim rebels in four years, more than in any other country. Reporters Without Borders said the toll should not be seen as an improvement of press freedom. Rather, it said, many Algerian journalists had gone underground, fled into exile or given up their work, while those who kept working were heavily protected.

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Danish Statue Gets Head Back

The Associated Press

COPENHAGEN — The head of the Little Mermaid statue was returned Friday — three days after it was sawed off — by a hooded man who dropped it off at a television station.

Danish television broadcast footage of the man depositing the head. No arrests have been made. The police said they were examining the head for fingerprints.

U.S. Alerts Citizens Abroad

Reuters

WASHINGTON — The United States has warned that terrorists might retaliate against Americans because of the sentencing of Ramzi Ahmed Yousef to life in prison for masterminding the bombing of the World Trade Center in New York in 1993.

The State Department said that U.S. government installations abroad had been instructed to review their security precautions.

It also warned U.S. citizens traveling abroad to pay close attention to their personal security in light of the potential threat.

WEATHER

Europe Forecast for Sunday through Tuesday, as provided by AccuWeather.

North America

Europe

Asia

Africa

Latin America

Oceania

Quandary for the Judge On Unabomber Suspect

Kaczynski's Apparent Attempt to Kill Himself Raises Doubts on Request to Be Own Lawyer

By Ruth Marcus
and John Schwartz
Washington Post Service

WASHINGTON — How can a man who may have tried to hang himself in his jail cell be considered competent to stand trial — and even have a chance to act as his own lawyer — in a case in which he faces the death penalty?

That is the disturbing question facing U.S. District Judge Garland Burrell Jr. as he presides over the trial of the Unabomber suspect, Theodore Kaczynski. Mr. Kaczynski's stand — insisting that his lawyers not be allowed to invoke mental illness in his defense and that he is sane enough to represent himself — dramatizes the difficulties of a legal system seeking to try an obviously disturbed defendant while observing his constitutional rights.

The trial, in which Mr. Kaczynski is charged in 10 counts with mailing bombs that killed two people and maimed two more in a campaign against modern technology, has been halted pending agreement among attorneys on the scope of a competency examination.

In the meantime, authorities said, Mr. Kaczynski will be kept under a 24-hour suicide watch.

Officials said Thursday that it appeared Mr. Kaczynski had tried to hang himself in his cell using his undergarments.

The widely recognized legal premise from which the Kaczynski trial proceeds is the low standard by which a criminal defendant's competence to stand trial is judged.

Courts have held that as long as a defendant can understand the nature of the proceedings against him and assist his lawyers in mounting a defense, his trial can go forward.

John Hinckley, for instance, was found competent to stand trial in the shooting of President Ronald Reagan in 1981, even though the jury ultimately found that he was not guilty by reason of insanity.

Mr. Kaczynski's situation is even more complicated and troubling, however, because he wants to override his lawyers' advice to assert a mental illness defense and represent himself.

This recalls the case of Colin Ferguson, the Long Island Rail Road gunman who in 1995 rejected recommendations that he plead not guilty by reason of insanity and mounted his own defense, claiming someone took a gun from his bag while he dozed and killed six passengers. After a trial, he was convicted and sentenced to life.

The Supreme Court has ruled that, inherent in the Sixth Amendment right to assistance of counsel, competent defendants generally also have the right to dismiss their lawyers and represent themselves as long as they understand the benefits of having a lawyer and what they are risking by going it alone.

"It is a firm principle of constitutional law," said Ronald Kuby, who

served as Mr. Ferguson's "legal adviser" after being removed as counsel in the case. "If you're competent to stand trial you are competent to represent yourself. That's not competence in the legally talented sense."

In a 1975 case, *Fare v. California*, the Supreme Court established the right to self-representation so long as defendants make the choice "knowingly and intelligently."

But in a 1993 case, the court upheld the conviction and death sentence of a triple murderer who had said he wanted to get rid of his lawyers and plead guilty so they would not mount any defense against the death penalty. The man had tried to kill himself around the time of the murders, was found by a psychiatrist to be "deeply depressed" and was medicated while on trial.

In that case, Godinez v. Moran, the court said the basic standard for determining whether a defendant was competent to represent himself was the same as for judging whether he could stand trial in the first place.

Despite that ruling, Richard Bonnie, director of the Institute of Law, Psychiatry and Public Policy at the University of Virginia, said, "I would take the view that the law is at least unsettled in this area and it would be entirely appropriate for a district judge confronted with this complex and disturbing situation" to determine that, while competent to stand trial, Mr. Kaczynski is not capable of deciding to defend himself or of rejecting mental-illness defenses.

But Mr. Kuby said that as ghoulish as it is to see an obviously delusional defendant pressing his case, "It violates 200 years of jurisprudence and basic notions, such as the presumption of innocence, to force an insanity defense on an unwilling defendant."

Under the legal traditions followed in the United States, it is not enough for a prosecutor to prove that a defendant committed the act. It must also be proved that the defendant intended for it to happen. This notion has evolved into the modern-day insanity defense.

But Robert Phillips, a psychiatrist at the University of Maryland's schools of law and medicine, said the definition of insanity was not medical. "Insanity is a legal term, not a clinical term," Mr. Phillips said. "The law defines what the components of insanity are."

In the courtroom, that means that someone might exhibit behavior that is clearly aberrant, but whose mental illness still does not meet the insanity standard. In the federal system, that means the defendant must prove that the mental illness keeps him from appreciating the wrongfulness of his act.

"Depending on the jurisdiction that you're in, you could be a flagrant psychotic, quite schizophrenic and still found legally sane," Mr. Phillips said. "To the lay person it may not make sense — to some of us in the system it may not make sense. But these are rules of law, not of medicine or science."

Away From Politics

• Women who work at computer terminals do not have any higher risk of giving birth prematurely than do other women, according to a three-year study by the National Institute for Occupational Safety and Health. (Reuters)

• A law barring the use of gasoline-powered leaf blowers within 500 feet (150 meters) of homes in Los Angeles has been signed by the mayor, Richard Riordan. Riordan refused to lift a ban on the leaf

blowers, despite the protests of gardeners who had been on hunger strike for a almost week outside City Hall. (AP)

• A man walked through a security checkpoint at Detroit International Airport without being screened, forcing officials to close down a terminal, delaying dozens of flights and thousands of passengers. All passengers were rounded up and sent back through the security checkpoint. (AP)

POLITICAL NOTES

Officials also said the party was putting finishing touches on a plan to guarantee state parties part of the profits from fund-raisers headlined by President Bill Clinton, Vice President Al Gore and other prominent Democrats.

Although the profit-sharing plan has been in the works for weeks, it was being touted by party officials Friday because of complaints raised by the New York State party chairwoman, Judith Hope.

Ms. Hope told The New York Times that Mr. Clinton's fund-raising trips to New York were hampering efforts to get the state party ready for this year's elections.

She said she would like the president either to share the money he raises in the city or refrain from fund-raising here this year. (AP)

Democrats Say Party Debt Falls

WASHINGTON — With state Democrats grousing about the national party's financial woes, the Democratic National Committee on Friday promised a dramatic reduction in the party's debt and plans to share the fruits of fund-raising with state parties.

Two senior Democratic officials, speaking on condition of anonymity, said the party's debt had been reduced to about \$9 million from a high of nearly \$17 million in July. The party's leaders plan to announce the lowered figure at Saturday's meeting here of the party's executive committee.

THE SECRET BOOK OF GRAZIA DEI ROSSI
By Jacqueline Park. 527 pages. \$25. Simon & Schuster. Reviewed by James Marcus

THE Italian writer Primo Levi once described his Jewish ancestors as rather inert creatures, with an "attitude of dignified abstention, of voluntary (or accepted) relegation to the margins of the great river of life." Needless to say, Levi meant no criticism. The wallflower status of his forebears was largely forced upon them by their minority status. Yet it is interesting to compare them with the Jewish extroverts of "The Secret Book of Grazia dei Rossi," who seem to rub elbows with every great prince, prelate and palmer of the era.

The narrator of Jacqueline Park's first novel has a major advantage, of course. Grazia dei Rossi was born in 1479 to

a family of Jewish *banchieri* — the sort of moneylenders who offered the Pope himself the Renaissance equivalent of no-far-checking. This puts Grazia's family on friendly terms with the great and powerful, like the ruling Gonzaga clan of Mantua.

Which is not to say that persecution and expulsion pass them by.

Indeed, in the very opening of the novel, the demagogic monk Bernardino da Feltre arrives in Mantua and quickly inflames the general populace.

"You must destroy the usurer, in your midst," he preaches, "for he is the enemy of Christian charity." The Mantuan waste no time in obliging the friar, and as anti-Semitic riots break out, the Dei Rossi flee for their lives.

Fortunately, they can take refuge in Ferrara, where the family maintains the flagship branch of the *banco*. Here Grazia chafes under the stern hospitality of her grandpar-



Icy branches being cleared from power lines in New Hampshire.

Ice Storm Cripples East From Quebec to Vermont, Millions Lose Power

The Associated Press

NEW YORK — Hundreds of thousands of people from Vermont into Canada lost power and resorted to burning wood, kerosene and candles as a branch-snapping ice storm lingered Friday.

An estimated 3 million people were without power in Canada. In Quebec, the provincial power company said it might take up to a week to restore electricity to 900,000 homes. Outages affected 300,000 customers in Maine, nearly 100,000 in upstate New York, 60,000 in New Hampshire and 20,000 in Vermont.

The toppling of power poles and trees caused states of emergency to be declared in four towns across New Hampshire. Vermont had more rain Thursday than is normal for the entire month of January, flooding all the state's major rivers.

Strong wind blew golf ball-sized

hail almost horizontally near Pittsburgh. Heavy rain produced a threat of flash floods in the Southeast and in a wide area of Pennsylvania.

In North Carolina's western mountains, damage assessment teams planned to walk along a six-mile (25 centimeters) of rain this week washed out roads and bridges and displaced hundreds of people.

The slow-moving storm system was blamed for at least 16 deaths. It hit the southern Plains earlier in the week, caused high wind, thick coastal fog and snow as well as ice and rain. Nine people died in flooding on Wednesday and Thursday in the Southeast.

The rain that brought flood threats around the Southeast let up Friday, but light freezing rain continued in Vermont, New Hampshire and much of Maine, adding to the ice buildup on trees and power lines.

U.S. Orders Inspection Of Recent Boeing 737s

Washington Post Service

WASHINGTON — The Federal Aviation Administration has ordered the immediate inspection of the tail sections of 211 late-model Boeing 737s, saying it is possible that rivets were not attached to a plane that crashed in Indonesia and that the problem might also exist on other 737s in service.

Within 24 hours or five flight segments, all U.S. airlines with 737s made after Sept. 20, 1995, in their fleets must visually inspect the horizontal stabilizer portion of the tail section for missing fasteners — also often called rivets or bolts.

The agency noted that the inspection will take about one hour for each aircraft and cost about \$60 each. The 737 is Boeing Co.'s most popular plane, with nearly 3,000 in service around the world. In 1997, 132 were delivered to airlines.

The agency has checked horizontal

stabilizers on aircraft being built or prepared for delivery at Boeing's factory in Seattle. None was found to have a problem, the agency said. But it said that one loose fastener had been found on one aircraft in service.

"Because the airplane had been placed in service a relatively short time ago — Feb. 14, 1997 — it is possible the fasteners were missing because they had not been installed during manufacture," the order said. "If such a quality-control failure occurred on this airplane, it may also have occurred on others produced at approximately the same time."

A Boeing spokesman said the company would cooperate fully with the inspection program and also would check any 737s at its factory in Seattle, as well as any that are being prepared for delivery.

The investigation derives from the crash Dec. 19 in Indonesia of a 737, in which all 104 aboard were killed.

Mexico Judge Under Fire Prosecutor Objects to Murder Suspects' Release

New York Times Service

MEXICO CITY — The district attorney here, in a formal complaint, has accused a judge of "shocking carelessness" in her handling of a case in which she released five men who had confessed to kidnapping and killing an American businessman.

The prosecutor, Samuel Del Villar, called on the Judiciary Council on Thursday to discipline Judge Maria Claudia Campuzano, whose conduct in issuing the release order he called "notoriously irregular."

The president of the council said Wed-

nesday that the judge could face charges if her handling of the case was found to have been negligent or corrupt.

The five men were accused in the Dec. 15 kidnapping and fatal shooting here of Peter Zarate, a New York real-estate executive. The judge released them over the weekend.

The judge said Monday she had ordered their release after finding multiple contradictions in their confessions. She said she had concluded that they were scapegoats who had been arrested and beaten by the police to make them confess to a high-profile killing.

Temperature Trend Seen as Proof of Global Warming

By Joby Warrick
Washington Post Service

WASHINGTON — Scientists in the United States have confirmed that worldwide temperatures last year climbed to their highest levels since record keeping began, continuing a steady, upward march that government meteorologists described as powerful evidence that people are changing the earth's climate.

Not only was 1997 the warmest year on record, but it was also part of an exceptionally sultry decade that witnessed 9 of the 11 hottest years this century, scientists of the National Oceanic and Atmospheric Administration said Thursday.

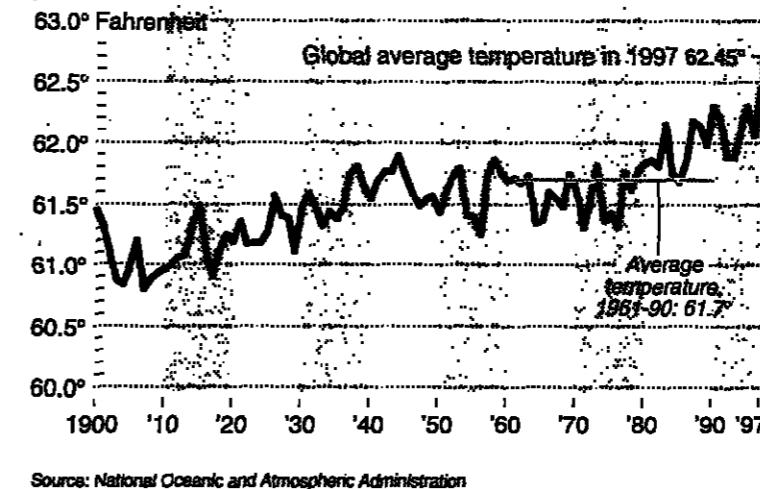
The new data are likely to strengthen the conviction among many scientists who believe that man-made greenhouse gases are contributing to a potentially disastrous warming of the earth's atmosphere. They also could provide a boost to the Clinton administration as it tries to secure Senate approval of the global climate treaty approved by 159 countries last month in Kyoto, Japan.

"For the first time, I feel confident in saying there's a human component" causing the rising temperatures, Elbert Flynn Jr., a meteorologist and the agency's associate administrator for oceanic and atmospheric research, said at a news conference.

Although an international body of climate scientists concluded two years ago that humans are having a "discernible influence" on the earth's climate, Mr. Flynn said mankind's imprint is becoming clearer with each year's measurements. At the same time, the likelihood that the recent rise in temperature

1997: Warmest Year of the Century

Average global surface temperature for each year, a combination of both land and ocean surface readings.



Source: National Oceanic and Atmospheric Administration

is a strictly natural phenomenon is becoming increasingly remote, he said.

"We've had three more years of data, and it's all in the same direction," he said. "It all shows the same thing."

Not all scientists agree. On the same day the National Oceanic and Atmospheric Administration released its findings, a pair of Alabama scientists reported that the planet actually cooled slightly last year. The University of Alabama-Huntsville report was based on data from satellites that measure atmospheric temperatures at nearly five

miles (eight kilometers) above the earth's surface.

From the satellite's point of view it was a very normal year," said John Christie, an associate professor of atmospheric science. While most measurements point to an overall warming trend over the past century, Mr. Christie said, scientists do not yet know enough about the earth's highly complex climate to draw conclusions.

But the National Oceanic and Atmospheric Administration said its land-based measurements more accurately

reflected conditions at the earth's surface, where people live, work and grow their crops. Its findings are nearly identical to those of the British Meteorological Office, which last month projected that 1997 would go down as the warmest year since scientists began systematically tracking the weather in the mid-19th century.

Bolstered by exceptionally warm temperatures in December, the global average temperature for 1997 was at 62.45 degrees Fahrenheit (16.92 degrees centigrade) — three-quarters of a degree higher than the "normal" average for the past 30 years, and 0.15 degrees warmer than the previous record high set in 1990, the agency said.

The agency's weather rankings are based on a global "index" that reflects measurements of ocean water temperatures as well as data from official weather stations on land.

Unseasonable warming in parts of the Pacific has been caused by the El Niño weather phenomenon. But agency scientists said 1997 would have gone into the history books anyway.

The global warming treaty approved in Japan last month would require the United States and other industrialized countries to sharply reduce emissions of carbon dioxide, methane and other gases that have been building in the atmosphere since the start of the industrial revolution. Further increases in these heat-trapping "greenhouse" gases are expected to gradually increase global temperatures by 1.8 to 6.3 degrees Fahrenheit by 2100 — a rapid jump by geological standards that could raise global sea levels and disrupt agriculture, agency scientists say.

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FRENCH RIVIERA/CÔTE D'AZUR

An Elaborate Maze Leads to Bhutto Husband's Opulent Estate in England

By John F. Burns
New York Times Service

BROOK, England — When Asif Ali Zardari arrived in this quiet English village as the new owner of the sprawling Rockwood estate, he was so taken with the village pub, the Dog and Pheasant, he told the owner he wanted to buy it.

At the time, October 1995, Mr. Zardari was in an expansive mood. Lawyers working for him had just arranged the \$4 million purchase of Rockwood, with its 355 acres of rolling Surrey countryside. He had ordered a complete renovation of the 1930s mansion, with a budget of \$1.5 million. And he had engaged an English couple with experience as horse breeders to turn Rockwood into a "stud farm," to raise thorough-

breds and indulge his passion for polo.

When Mr. Zardari was told the pub was not for sale, villagers said, he ordered a replica of the bar built in the basement at Rockwood, to go with the mansion's nine bedrooms, indoor swimming pool, 15 acres of gardens and the helicopter landing pad built after he bought the estate from a Hong Kong tycoon.

Although Mr. Zardari made his presence in the village known, nobody in Brook seems to have any certain recollection of having seen Benazir Bhutto, Mr. Zardari's wife, who was the prime minister of Pakistan at the time of the Rockwood purchase.

Pakistani investigators say that in the Rockwood deal, as in the case of at least a dozen other overseas properties to which they have linked to the Bhutto family,

Pakistani Investigators Say Illicit Millions Went to Buy Surrey's Sprawling Rockwood

elaborate steps were taken to disguise the identity of the estate's new owners.

From a search of property records, investigators learned that the estate was bought in three parcels — the house and its gardens, with 104 acres of land (43 hectares), and two adjacent farms with 220 more acres of pasture — by three separate offshore companies based in the Isle of Man, a British-ruled tax haven in the Irish Sea.

When a British newspaper, The Sunday Express, published an article reporting that the couple had bought the estate in June 1996, Miss Bhutto and Mr.

Zardari issued statements saying they knew nothing about Rockwood, and in Miss Bhutto's case, that she had never been to Surrey.

Mr. Zardari added a touch of outraged social conscience: "How can anyone think of buying a mansion in England when people in Pakistan don't even have a roof over their heads?"

But in an interview in the Karachi prison where he is being held on charges of organizing the murder of Miss Bhutto's brother, Mr. Zardari seemed resigned to acknowledging his ownership of the estate.

His friends said this could be because Rockwood twice over," he said. Rockwood seems less important to Miss Bhutto's husband now that he faces the possibility of a death sentence for his alleged role in planning the police ambush in which Murtaza Bhutto, his 42-year-old brother-in-law, was killed on Sept. 20, 1996.

Mr. Zardari said Rockwood was less valuable than the two apartments on Park Lane, one of London's ritziest neighborhoods, that Prime Minister Mian Nawaz Sharif, Miss Bhutto's arch-rival and successor, owns and used on his way back to Pakistan after a recent trip to the United States.

Noting that Mr. Sharif has not denied owning the apartments, Mr. Zardari made a mock offer of a trade: "Those Park Lane flats are worth more than

Rockwood twice over," he said. In an interview at her home in Karachi, Miss Bhutto said she knew nothing about the Rockwood purchase and suggested that Mr. Zardari might have bought the estate for "some other woman."

"I don't know whether my husband had an affair or not," Miss Bhutto said. She has continued to see her husband in prison and to demand his release. In fact, she visited him only hours before the interview.

"He tells me he didn't. I don't know if he bought Rockwood or did not," She paused, tears in her eyes, and added, "But I think it's absolutely cruel to take people's personal lives and turn them into methods of psychological warfare against a female political opponent."

BHUTTO: Pakistan Chases Millions Down Shadowy Trail of Graft

Continued from Page 1

feebled that she spent much of her time negotiating loans to stave off default on more than \$62 billion in public debt.

A worldwide search for properties secretly bought by the Bhutto family is still in its early stages. But the inquiry has so far found that Mr. Zardari went on a shopping spree in the mid-1990s, purchasing among other things a \$4 million, 355-acre estate south of London. Over eight months in 1994 and 1995, he used a Swiss bank account and an American Express card to buy jewelry worth \$660,000 — including \$246,000 at Cartier Inc. and Bulgari Corp. in Beverly Hills, California, in barely a month.

In separate interviews in Karachi, Miss Bhutto and Mr. Zardari declined to address specific questions about the Pakistani inquiry, which they dismissed as a political vendetta by Miss Bhutto's successor as prime minister, Mian Nawaz Sharif.

In Karachi Central Prison, where he has been held for 14 months on charges of murdering Miss Bhutto's brother, Mr. Zardari described the corruption allegations as part of a "meaningless game." But he offered no challenge to the authenticity of the documents tracing some of his most lucrative deals.

Miss Bhutto originally kindled wild enthusiasm in Pakistan with her populist brand of politics, then suffered a heavy loss of support as the corruption allegations against her and her husband gained credence. In an interview at her fortress-like home set back from Karachi's Arabian Sea beachfront, she was by turns tearful and defiant.

"Most of those documents are fabricated," she said, "and the stories that have been spun around them are absolutely wrong."

But she refused to discuss any of the specific deals outlined in the documents, and did not explain how her husband had paid for his property and jewelry. Lamenting what she described as "the irreparable damage done to my standing in the world" by the corruption inquiry, she said her family had inherited wealth, although not on the scale implied by tales of huge bank deposits and luxury properties overseas.

"I mean, what is poor and what is rich?" Miss Bhutto asked. "If you mean, I am rich by European standards, do I have a billion dollars, or even a hundred million dollars, even half that, no, I do not. But if you mean that I'm ordinary rich, yes, my father had three children studying at Harvard as undergraduates at the same time. But this wealth never meant anything to my brothers or me."

Miss Bhutto, a student at Harvard and Oxford universities for six years in the 1970s, has been a vocal critic of "avaricious politicians." In a Harvard commencement speech in 1989, she said that

such people had looted developing countries and left them without the means to tackle their social problems.

Since she was ousted as prime minister during her second term, on Nov. 5, 1996, on charges that included gross corruption, she has been the leader of Pakistan's main opposition group, the Pakistan People's Party.

Some details of the allegations against Miss Bhutto and Mr. Zardari appeared in a series of telephone interviews, declined to say anything about Mr. Zardari and Miss Bhutto, other than that he had not sold the documents. "It wouldn't be worth selling out for \$1 million," he said.

The documents included a mystery. Mr. Schlegelmilch, in a series of telephone interviews, declined to say anything about Mr. Zardari and Miss Bhutto, other than that he had not sold the documents. "It wouldn't be worth selling out for \$1 million," he said.

The documents also revealed the crucial role played by Western institutions. Apart from the companies that made payoffs, and the network of banks that handled the money — which included Barclay's Bank and Union Bank of Switzerland as well as Citibank — the arrangements made by the Bhutto family for their wealth relied on Western property companies, Western lawyers and a network of Western friends.

Miss Bhutto distributed copies of a letter she said she had sent to prosecutors, complaining that the government was treating her and her supporters in "a brutal and ruthless manner."

"I am being subjected to mental, physical and financial pressure by the regime," the letter said. "All this is being done with a political motive for a political agenda to foist a one-party, one-family undemocratic and unrepresentative regime."

and the United States, and included interviews with many of the central figures named by the Pakistani investigators.

Officials leading the inquiry in Pakistan say that the \$100 million they have identified so far is only a small part of a much larger windfall from corrupt activities. They maintain that an inquiry begun in Islamabad immediately after Miss Bhutto's dismissal in 1996 found evidence that her family and associates generated more than \$1.5 billion in illicit profits through kickbacks in virtually every sphere of government activity — from rice deals to the sell-off of government land, even rake-offs from government welfare schemes.

The officials say their key break came last summer, when an informer offered to sell documents that appeared to have been taken from the Geneva office of Jens Schlegelmilch, whom Miss Bhutto described as the family's attorney in

citizens to live in peace and security."

By the pale standards of diplomacy in the Algerian conflict, this was a remarkably pugnacious statement from France about its former colony and it provoked predictable outrage from President Liam Zeroual's government in Algiers. Responding to France, and to U.S. calls for an international inquiry, the government said, "Algeria, the sovereign state, renews its categorical rejection of any attempt to interfere in its internal affairs."

It added that attempts to start an inquiry were "aimed at planting doubt regarding the sources of terrorism" and were "absolutely rejected."

Whatever their misgivings, Western governments have acquiesced in Algeria's agony for several reasons. The conflict has not, as was once feared, seeped into Morocco or Tunisia, where ripples of Islamic extremism have been quickly suppressed. Nor, as once seemed possible, has it spilled over into France, where the police have proved effective in quashing violent groups linked to the Islamic Salvation Front.

Moreover, although unemployment is high and economic opportunity for the young is scant, a lot of money is being made in Algeria's oil and gas fields, where there are important French and U.S. interests. The government has successfully kept the conflict out of the southern desert areas where oil and gas are extracted.

Western governments, fearing a wider instability that could send waves of immigrants over the Mediterranean into Europe, have thus preferred caution. It seems unlikely that a planned mission by the European Union to Algeria would, if it is allowed into the country, lead to a change in this approach.

The caution, it seems, is justified. Algeria lacks cohesion. A brutal war of independence against France in which more than a million people died left deep scars on a society whose ethnic and cultural unity is frail, buffeted by French colonial, Arab and Berber influences and weakened by the failure of an almost 30-year experiment with Marxist economics.

Against this backdrop, the soldiers who fought for Algerian independence and

then formed or backed the governments that have ruled since have favored a secretive and authoritarian system recalling something of the revolutionary cell that was at the heart of the struggle against France.

Rather than seeking to clarify the current conflict, the authorities have thus tended to thrive on its opaqueness, falling back on repeated calls for unity against "terrorists" whose identity is seldom specified or on exhortations to support Algerian "sovereignty."

Algeria's authorities, linking military and business interests and known broadly as *Le Pouvoir* or "The Power," appeared to have collapsed in the late 1980s, when economic disaster, internal struggles and a broad push for democracy caused the unraveling of the governing party and the emergence of the Islamic Salvation Front. Briefly, Algeria seemed to toy with a real democracy.

But the army's cancellation of elections that appeared certain to bring the Islamic Salvation Front to power and the subsequent emergence of a savage guerrilla movement that seemed intent on extirpating all that smacked of Western influence and tolerance in Algeria ended the experiment.

The now banned Islamic Salvation Front has since lost its mass following. While its armed wing, the Islamic Salvation Army, has called for a cease-fire, the hard-line Armed Islamic Group has vowed to fight on.

But the Armed Islamic Group's leadership is split, and its will or ability to hit meaningful targets is apparently limited. The army, often using scorched-earth tactics, has proved effective in eliminating any serious threat to the regime.

Now the army remains at the heart of Algerian power. Despite the emergence of a veneer of democratic institutions, there appears to be no doubt that the military has gained a new lease on life through an undeclared war that may have left as many as 80,000 dead.

Whoever is killing the people in the Relizane region, and whatever their motive, that is the political and military reality of Algeria.

Midday Explosion Rocks New Delhi

NEW DELHI — A bomb exploded in the midst of a lunchtime crowd just 100 meters from the New Delhi police chief's office on Friday, wounding 48 people and sending bloodied office workers running in terror.

The blast, the first in India's capital this year, followed a series of bombings last year that killed nine people and wounded 240. No arrests have been made in those blasts and no one has claimed responsibility. No one claimed responsibility for Friday's bombing.

India is fighting secessionist movements on several fronts, including a rebellion by Muslims in the disputed territory of Kashmir.

The Indian government accuses neighboring Pakistan of fomenting the violence on its frontiers. Kashmir is India's only predominantly Muslim state.

6 Are Executed In Shanghai

BEIJING — Six criminals were put to death as part of a crackdown on crime in Shanghai, the official Liberation Daily reported.

The Nos. 1 and 2 intermediate People's Courts in Shanghai announced the death sentences at public rallies on Thursday, and the six were immediately taken to the execution grounds and shot, the newspaper said.

Two of the executed, Sun Xinhua and Wang Dengyu, robbed taxi drivers of 2,350 yuan (\$280) in six heists during the first four months of 1996, the newspaper said. Another, Xu Yajun, fatally beat a motorcycle driver after robbing him of 100 yuan. Details of the others' crimes were not given. China launched a nationwide anti-crime crusade 20 months ago and severity was encouraged.

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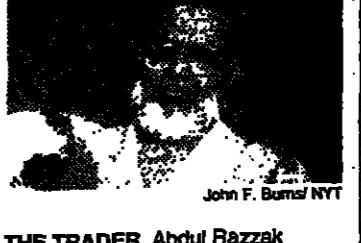
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NOVEMBER 1997: Razzak denies making payments to Zardari.



THE TRADER Abdul Razzak Yaqub in November 1997.

The New York Times

ALGERIA: Changing Its Character, Bloodbath Now Defies Logic

Continued from Page 1

mountains in the Relizane region, about 200 kilometers (150 miles) southwest of Algiers. That is already more than the estimated 400 people slain during Ramadan last year, many of them in car-bomb attacks in Algiers.

When the killing that the Algerian government calls "terrorism" was aimed at representatives of the country's secular culture, it was barbaric but at least understandable: In the logic of the *jihad*, or holy war, the killer secured his own salvation by eliminating the "impure."

But as the terrorism has gained all the appearances of complete arbitrariness, losing any military or moral logic, it has appeared to serve only the causes of instability and murkiness.

That state of affairs has left many Western diplomats wondering whether the military-backed government might see some benefit in the attacks, because chronic insecurity ensures that any real democratic opening is stillborn.

Such suspicions have been fueled because some of the attacks, as at Raïs last year, have continued for several hours without any intervention by the army or the police.

The Algerian conflict has, in the end, served to reinforce a government whose days seemed numbered in the late 1980s.

If the Islamic guerrilla movement that emerged after canceled elections in early 1992 once seemed to threaten the military authorities who have governed Algeria since it gained independence in 1962, it now appears too splintered and wayward to pose any coherent military threat, Western analysts said.

The question then arises why the government has proved unable to curtail, explain or even identify what appear to be increasingly random acts of violence. France, voicing the suspicions of many observers, appeared to hint this week that the answer may simply lie in a lack of will.

"France believes in the legitimate right of the Algerian population to be protected," the government said. "The duty of every government is to permit its

citizens to live in peace and security."

By the pale standards of diplomacy in the Algerian conflict, this was a remarkably pugnacious statement from France about its former colony and it provoked predictable outrage from President Liam Zeroual's government in Algiers. Responding to France, and to U.S. calls for an international inquiry, the government said, "Algeria, the sovereign state, renews its categorical rejection of any attempt to interfere in its internal affairs."

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Iraq's Man at the UN: At Home in a Hostile Country

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — Nizar Hamdoon, the voice of Iraq in the United States, is relishing a little downtime between crises. He does not expect the lull to last long, perhaps two more weeks.

Mr. Hamdoon, Iraq's representative at the United Nations, has some 15 years experience in managing crises with Americans, who regularly denounce his government but cannot seem to help marveling at his diplomatic skills. They also marvel at his longevity in the service of President Saddam Hussein, a leader not known for liking bad news.

Mr. Hamdoon is the only high-ranking Iraqi diplomat permitted to work in the United States — but only in New York — and American officials are not allowed to deal directly with him. Relations between the two countries were ruptured before the Gulf War. But Mr. Hamdoon has numerous American friends no longer in government who stay in touch. They knew him when he was Iraq's ambassador in Washington during another difficult time, in the 1980s. His dinner parties were famous.

"He was one of the most effective ambassadors the Arabs have sent to the United

States," said Phebe Marr, a former senior fellow at the National Defense University. "He developed a very astute understanding of the American system and how it operates."

Now, with Baghdad's archenemy, Iran, making overtures to Washington, and an American fleet within striking distance of Iraq, Mr. Hamdoon is gearing up for another busy season.

On Jan. 19, Richard Butler, the head of the UN commission charged with disarming Iraq, will make another trip to Baghdad to press for access to suspected biological, chemical, and other weapons sites that the Iraqis have declared off-limits. The Iraqis will try again to convince him that they have nothing to hide.

Mr. Hamdoon says Baghdad is on stronger diplomatic ground than it has been for a long time, despite having to back down in November in its efforts to bar Americans from UN inspection teams, and does not want any more delays. A full-fledged review of the sanctions is not due until April.

"I think that we are running out of time," Mr. Hamdoon said in a conversation at his office, without suggesting what Iraq might do beyond "weighing options" if Mr. Butler's mission fails. But he said Washington moved quickly "only in times of trauma."

"I don't see any change in American policy

unless the pressure mounts," he added.

Mr. Hamdoon, 53, went to an American Jesuit high school in Baghdad and studied architecture and town planning at Baghdad University. He joined the air force and served more than a decade in the National Command of the Ba'ath Party of Mr. Saddam before he was first sent to Washington in 1983.

Iraq was bogged down then in a war with Iran and needed friends.

Mr. Hamdoon set out methodically to figure out how to get things done.

"This country is like a big machine, with hundreds of bolts and nuts and wheels," he said, "and you have to lubricate every part of it in order for the machine to work the way you want." That meant hours spent with bureaucrats as well as high-ranking officials, and trips to campuses and business associations all over America.

Mr. Hamdoon is one of a group of Iraqi diplomats and officials regarded as "able men" to represent one of the great moral monsters of our time," a former member of Congress said this week.

In Washington, people who have known Mr. Hamdoon for years frequently ask how, after the 1991 war and what it revealed of Mr. Saddam's destructive arsenal and willingness to use it, he can go on "flacking for a cynical

and corrupt Mesopotamian megalomaniac," in the words of one politician.

Mr. Hamdoon, known for conveying back to Baghdad the stark reality of the Iraqi position here, said that providing an accurate picture for his government was as important as reflecting its leadership's policy here, even if he does not agree with all of it.

In diplomacy, he said, "you have to defend a policy whether you agree with it or don't agree with it on certain points."

Aircraft Carriers to Stay in the Gulf

The United States will keep nearly 30,000 troops and two aircraft carrier battle groups in the Gulf as a warning to Mr. Saddam that military action remains an option if he does not cooperate with UN weapons inspectors, The Washington Post reported, citing a Pentagon spokesman.

One of the two carriers now in the gulf, the *Nimitz*, is scheduled to return to a new home port in Norfolk, Virginia, in early March. Sources said it would be replaced by the carrier *Independence*, now stationed off Japan.

Meanwhile, U.S. diplomats have been trying to secure promises from Russia and France that if the United States decided to take military action against Iraq, neither country would publicly undercut the move.



Nizar Hamdoon, Iraq's representative to the UN, holding a football signed by the New York Giants.

Clinton Envoy Seeks Formula To Stimulate Mideast Talks

By Serge Schmemann
New York Times Service

JERUSALEM — The U.S. mediator for the Middle East, Dennis Ross, shuttled between Israeli and Palestinian politicians for a fourth day Friday in search of a new formula to bridge the steadily widening gap between them and enable negotiations to resume.

Mr. Ross gave no indication of his progress. But in the highly charged political air since the resignation of the Israeli foreign minister, David Levy, at the start of the week, newspapers were filled with speculation and anonymous reports.

The central question among Israelis, and probably for Mr. Ross, is whether Prime Minister Benjamin Netanyahu's government is capable of surviving any decision. Mr. Levy's defection has left Mr. Netanyahu with a scant 61-to-59 edge in Parliament, and ministers on both sides of the debate have vowed to bring the government down if it either cedes land, or fails to.

On the left, Defense Minister Yitzhak Mordechai, a moderate in the cabinet, said in an interview this week that he would resign if Israel made no withdrawal in the next three months.

On the right, Rehavam Zeevi, chairman of the ultra-nationalist Moledet party, told the prime minister: "Let me tell you where we stand: We will vote no-confidence the moment the cabinet decides on the substance of the redeployment, on percentages or on a timetable."

Mr. Ross's problem is that the United States has repeatedly bowed before the argument that Mr. Netanyahu is hamstrung by his unstable government. This time, U.S. officials said, Washington would insist that Israel live up to its obligations to make further withdrawals, or redeployments, in the West Bank.

At the core of the current debate is Israel's obligation to make three additional withdrawals even before a final settlement is reached. Mr. Netanyahu pledged to do so a year ago, but his proposal for a marginal first withdrawal was rejected by the Palestinians.

The United States now insists that Mr. Netanyahu make a "credible" second redeployment, which means more than 10 percent of the West Bank. The prime minister has reportedly told the Americans that he will do this if the Palestinians agree to forgo a third redeployment and enter immediately into final-settlement talks. The Palestinians reject this notion out of hand.

According to officials who have met with Mr. Ross, the mediator has tried to shape a package that would impose strict viral disease conditions on the Palestinians in exchange for credible withdrawals.

But an initial agreement mediated by the United States, and accepted by both Israeli and Palestinian security chiefs, was thrown out by Mr. Netanyahu, reportedly because it drew a parallel between Palestinian and Jewish militants.

Karpov Retains FIDE Chess Crown

The Associated Press

LAUSANNE, Switzerland — Anatoli Karpov, the defending champion, defeated his challenger, Viswanathan Anand, in two straight tiebreaker games Friday to retain the championship of the International Chess Federation, or FIDE.

Mr. Karpov and Mr. Anand had tied 3-3 in the six-game match, which was thrown out by Mr. Netanyahu, reportedly because it drew a parallel between Palestinian and Jewish militants.

Mr. Karpov won the first game Friday, playing white, and also dominated the second game, playing the black pieces to win the \$1.37 million first prize. Mr. Anand won \$768,000.

The result capped a week's competition.

Garry Kasparov, who is ranked as the world's strongest player and who formed the breakaway Professional Chess Association in 1993, did not participate in the tournament.



Children enjoying a game of soccer on a street in Tehran, which awoke Friday to its heaviest snowfall in years.

Sir Michael Tippett, British Composer, Dies

The Associated Press

LONDON — Sir Michael Tippett, 93, a composer of limitless vision and inventiveness who was ranked as one of Britain's most important contemporary musical talents, has died.

Mr. Tippett died peacefully at his home in London on Thursday after suffering from pneumonia for two months, Merion Bowen, his manager and biographer, announced Friday.

His works, including opera, choral, orchestral, chamber and piano music, fused strong rhythms, jazz, spirituals, madrigal-like counterpoint and imaginative new sounds, like the wind machine

that ends his *Fourth Symphony*.

"In my opinion, he was the greatest living composer — definitely in this country, but across the world I don't think there was anyone who matched his status," said a fellow composer, David Matthews.

Mr. Tippett confronted social issues squarely. A homosexual, he composed a love scene between two men for his third opera, "The Knot Garden," which had its premiere in 1969. His fourth, "The Ice Break," in 1975, featured a race riot and a psychedelic sequence.

The oratorio "Vision of St. Augustine," highly experimental and de-

manding, was regarded by some critics as his masterpiece.

Kenichi Fukui, Nobel Laureate

TOKYO (AP) — The only Japanese to win the Nobel Prize in chemistry, Kenichi Fukui, 79, died of cancer Friday.

Mr. Fukui, a professor emeritus at Kyoto University, received the prize in 1981 for a theory that helped more clearly explain the course of chemical reactions. His ideas were the basis for other discoveries and were used by pharmaceutical companies in developing new drugs.

Tests Indicate Avian Flu Isn't Spread by People

The Associated Press

ATLANTA — Early tests indicate that the avian flu that has sickened 16 people and killed 4 in Hong Kong is not spreading from person to person, U.S. health officials said. But they will not rule it out.

"Some of our guesses are getting confirmed," said Dr. Rima Khabbaz, a viral disease expert at the Centers for Disease Control and Prevention in Atlanta. "But things may change, and we still cannot rule out human-to-human transmission."

Test results from the first seven people stricken with the type A influenza virus known as H5N1 show at least two different strains of the virus sickened them — a sign that each victim contracted the virus not from another person but from a chicken.

"If you look at seven people and they all had the same exact virus, that would suggest that there was person-to-person transmission," Dr. Khabbaz said. "The fact that we are seeing more than one strengthens the conclusion that primarily what is happening is transmission from poultry to people."

The centers noted, however, that a flu worker had contracted the flu after caring for the first victim, a boy who died. The worker had not been exposed to chickens.

■ Compensation Fund Approved

Hong Kong legislators approved a \$97 million compensation package Friday for Hong Kong's poultry industry, The Associated Press reported.

Farmers, vendors and poultry truckers will receive \$13.3 million to cover direct losses, and \$83.3 million in low-interest loans to maintain or restart businesses.

They can receive the grants as early as next week, said Leslie Wei, director of the Agriculture and Fisheries Department.

U.S. Balloonists Check Out of Their 'Hilton'

The Associated Press

ALBUQUERQUE, New Mexico — Two balloonists who had hoped for an around-the-world flight abandoned the trip Friday just 100 miles (160 kilometers) from where they had taken off, parachuting to safety after discovering a major failure.

Dick Rutan and Dave Melton were in good condition after landing 11 miles southeast of the town of Vaughn, the state police said. One of them may have suffered a broken leg.

"We had a serious failure," Mr. Rutan told KOB-TV in Albuquerque. He said they had opened a gas valve before parachuting so that helium

would seep out and the balloon, called Global Hilton, would descend.

The men decided to abort the flight after discovering a rip in the helium cell, which lifts the balloon, said Patrick Barry, a spokesman for the team. He did not know the cause of the rip.

It was unclear why the two men had to abandon the balloon rather than ride it to the ground. The balloon continued to fly at 11,000 to 15,000 feet (3,350 to 4,600 meters) and was descending slowly, said Steve Shope, project manager for the team. He said he expected it to land in an unpopulated area.

ULSTER: Prisoners Appear Placated

Continued from Page 1

Last month, the Irish Republic government released early nine prisoners who had been serving terrorism-related sentences.

Ms. Mowlam said she had made no promises of early release for Protestant prisoners and that releases could only be discussed at the formal talks.

The prison, with about 600 paramilitary inmates, who consider themselves political prisoners or prisoners of war, is where the latest round of violence began, two weeks ago, with the killing of a Protestant paramilitary leader, Billy (King Rat) Wright. A member of the Loyalist Volunteer Force, a splinter group not represented at the peace talks, Mr. Wright was killed by inmates belonging to a Catholic splinter party, the Irish National Liberation Army, which had broken away from the IRA.

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porting its campaign of violence are represented at the talks by Sinn Fein; mainstream Catholics are represented by the Social Democratic and Labor Party of John Hume.

The principal Protestant party, the Ulster Unionists, and the smaller Protestant paramilitary parties, the Ulster Democratic Party and the Progressive Unionist Party, are also at the talks, as are officials of the British and Irish Republic governments.

The hard-line Democratic Unionist Party of the Reverend Ian Paisley is boycotting the talks, calling them a device to allow for the creation of a united Ireland run from Dublin.

Under the rules of the talks, agreement may only be reached by "sufficient consensus," a weighted majority on each side, Protestant and Catholic, of the negotiating table. This means that the larger Ulster Unionist Party needs agreement with at least one of the smaller Protestant paramilitary parties on its own side to validate any final peace agreement.

Thus, a pullout by smaller Protestant parties would thwart the talks and jeopardize a settlement. The chief Protestant paramilitary complaint has been that the London and Dublin governments have been making decisions that favor Sinn Fein and the IRA, particularly on the early release of prisoners.

Before Christmas, the Dublin government released early from an Irish prison nine inmates convicted of terrorist acts in the IRA campaign to force Britain to relinquish power in the province. No Protestant prisoners have been released from British jails here or in England.

Ms. Mowlam said, "It takes courage to push things forward. It takes risks. I'm not going to plead, negotiate, beg. I'm going in to make one very clear point to them, that if they want progress on issues that concern them, the only way they are going to get that is to find some overall settlement, and the only way we are going to get a settlement is by talking."



Mo Mowlam, Northern Ireland secretary, at Maze Prison on Friday.

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JOBS: Kohl Drops Pledge

Continued from Page 1

Bluemel, has lashed out at German industry in recent days.

"A turnaround in the labor market is nowhere to be seen," said Oskar Lafontaine, head of the opposition Social Democratic Party. "On the contrary, all experts are forecasting further increases in 1998."

The latest figures drive a wedge deeper in a widening economic and social split between Eastern and Western Germany. While the jobless rate held steady at 9.9 percent last month in Western Germany, it rose in the East, to 19.8 percent, compared with 19.6 percent in November.

"Light at the end of the tunnel is still a long way off in the East," said Alison Coutell, an economist at PaineWebber in London. "Germany is divided on the labor-market front."

The formerly communist Eastern states have been unable to benefit from the export boom for Western Germany's companies, said Bernhard Jagoda, president of the Federal Labor Office. Despite relatively mild winter weather, Eastern Germany's depressed construction sector continued to lay off workers, he said.

With unemployment the dominant political issue ahead of

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Algeria's Terror

It is not only the scope and persistence of the killings in Algeria that draw international alarm — a record 400 people were slaughtered just the other night, and their hundreds more. It is the aura of puzzlement that hangs over the savagery. The extremist Armed Islamic Group is blamed for most civilian massacres in the past two years. But cannot this group understand the hatred it is stirring up for itself?

Meanwhile, hints of an Algerian army or government hand in the terror linger; the presumed purpose would be to turn public opinion against the extremists. But why then would the army or government wish to be advertising its own inability to protect the people?

On its part, the Algerian government is coming under increasing criticism, and more and more from its friends, for failing to do more to head off national catastrophe. Acutely conscious of the restraints imposed by their colonial past in Algeria, the French are increasingly moved by the inflow of Algerian immigrants and by the spread of Algerian terrorism to French soil. After the slaughter of the 400, French officials abandoned their usual detachment and, joined by the United States and Germany, urged the Algerian government to try harder to stop the massacres. Paris chided the Algerian leadership for not pursuing its own process

of political reform begun in 1995. The Algiers government is so far not of a mind to accept even the best-meaning international counsel. For its pride, however, it now risks being isolated between a population at home that it can neither protect nor control and a European hinterland that grows more troubled by the government's sometimes disrepect for the law and its slowness in providing help for the families of victims of terror.

In these bleak circumstances, a few wan rays of hope gleam. The human rights commissioner of the United Nations, Mary Robinson, is offering to mount a serious on-site inspection of the Algerian scene. Given full access and official cooperation, such a mission could help resolve the nagging question of official Algerian complicity in the killings. Germany has proposed an initiative by the European Union. France offers favor for a European Union effort to assist victimized families.

There can be no substitute for a more diligent Algerian search for an Algerian political partner representing nonviolent Islam — precisely the partner the government spurned to launch this crisis six years ago. Perhaps an international hand can help get something moving.

—THE WASHINGTON POST.

A Lunatic Venture

The physicist Richard Seed thinks he has a nifty idea. Now that scientists have cloned a sheep, producing a lamb genetically identical to its parent, Mr. Seed thinks it is time to clone a human child that would be the identical twin of its parent.

Never mind that the Scottish scientist who cloned the lamb have opposed applying their techniques to humans, or that ethicists are disturbed over the implications, or that President Bill Clinton has called for a moratorium on cloning humans or that Congress is preparing to debate a ban.

Never mind that there is no real need for this service, nor any compelling scientific reason to do it. Forget that the cloning procedure itself is highly unreliable, failing 276 times before the Scottish scientists finally achieved a success. Anyone crazy enough to take a chance with Mr. Seed faces the real

—THE NEW YORK TIMES.

Good Moves in Mexico

Mexico's president, Ernesto Zedillo, has announced two crucial cabinet changes in recent days that encourage hopes for greater democracy and accountability. He named a new interior minister, replacing Emilio Chuayffet Chemor with Francisco Labastida Ochoa. Mr. Chuayffet represented the worst traditions of the ruling Institutional Revolutionary Party, or PRI. Mr. Zedillo also appointed José Angel Gurria to replace Guillermo Ortiz as finance minister, the cabinet's top economic position.

Mr. Ortiz did a good job of managing Mexico's recent economic recovery, but different skills are required now that budgets must be negotiated with an opposition majority in Congress. Mr. Gurria, who has previously served as international debt negotiator and most recently as foreign minister, is an astute politician. The new foreign minister will be Rosario Green, the first woman in that post.

The change at Interior was overdue. The ministry plays a central role in determining whether Mexico's democratic reforms will become a reality. It coordinates relations with the judiciary, Congress and state governments, runs an undercover investiga-

—THE NEW YORK TIMES.

Other Comment

Defense-Cut Whining

The ink on the U.S. balanced budget agreement was barely dry when Republicans began looking for ways around it. Now the House speaker, Newt Gingrich, wants to bust the budget. He is calling for more military spending.

What dire circumstances have impelled the speaker to advocate higher military outlays? The cynical observer might point to an extra \$2.5 billion to be spent next year for F-22s and C-130s, planes that the air force doesn't want but that are partly built in Mr. Gingrich's home state of Georgia.

There's no other reason to increase

defense spending. The United States dominates the world as never before. The United States possesses the largest and most productive economy, as well as undoubted military supremacy.

For all of the whining about defense cuts, the all Congress has done is eliminate the Reagan defense buildup. Adjusted for inflation, U.S. military spending is about as much today as it was in 1980, 1975 and 1965. And this is without a war in Vietnam, an anarcho-Soviet Union or a Communist-led Eastern Europe.

— Doug Bandow, a senior fellow at the Cato Institute, commenting in the Los Angeles Times.

Financial Community Contributed to the Mess, Too

By Jim Hoagland

WASHINGTON — Tales of South Korean corruption, Indonesian mismanagement and Thai chicanery are being advanced to explain Asia's suddenly stumbling economies. Most of the tales ring true and explain much. But they are not the whole story.

They do not explain this central reality: Asia's rolling financial crisis has been indiscriminate in its choice of victims. It has smashed the ambitions and treasury of an industrial democracy built by a disciplined and homogeneous population (South Korea) as easily as it has leveled an oil-rich autocracy where social and racial tensions are rife (Indonesia).

The world's financial wizards are at work designing and revising condition-laden bailout packages for Asia based entirely on correcting Asian flaws. The wizards seem to think like Brutus rather than Cassius, finding fault in the stars and not on their own doorstep. But they should be asking if anything in the international financial system itself helped trigger this economic debacle.

The trigger for crisis in Asia, as in Mexico in 1994, was in fact external: Short-term dollar-denominated debt payments rolled due in massive amounts and international banks and investors refused to extend new credit as it became

clear that the debtor companies and governments did not have enough dollars to pay off everybody holding a chip.

Nobody wanted to be the last fool standing. Credit evaporated overnight and the financial herd began stampeding out of Asian markets in July, trampling national economies in its rush and endangering investors' chances to get full repayment.

The material causes of this pattern of destructive financial behavior are relatively easy to identify. Greedy Asian politicians and their cronies took advantage of the laziness of institutional investors and leaders abroad, who slavishly followed the credit ratings issued by agencies that turn out to be ill-equipped to assess today's mountainous, often concealed foreign corporate debt.

Fund managers, under the pressure of formulaic Wall Street requirements to invest fixed amounts in "emerging markets," delegated their judgment to Standard & Poor's, or to the overly optimistic, self-interested assessments of the International Monetary Fund or the Asian Development Bank.

This is the psychological dimension to the crisis that needs to be understood.

The huge capital flows created in investors' minds a financial Asia that did not correspond to the national conditions and political structures of the countries in which the money was pouring.

Asia became El Dorado. The World Bank blessed the image with a late 1994 report on "The East Asian Economic Miracle" that lavishly praised the countries now under attack, with the great financial cliché of our time: Asia was getting the fundamentals right.

The point is not that experts get it wrong, too. The point is that labels more often obscure than illuminate and should be distrusted. "Globalization" became an easy label for the complicated process that begot the "Asian Miracle."

Investors, regulatory officials, journalists and others stopped thinking about the uneven, mixed individual cases the Miracle described and lumped them together as tigers, cubs or other colorful metaphors. Lumping was easier than thinking. And such labels helped cover the hot-money profits the money managers reaped.

For years this groupthink and herd investment encouraged money-center banks, pension fund managers and credit rating agencies in the United States, Japan and elsewhere to overlook the obvious signs of the corruption,

mishandling and chicanery among their borrowers.

Russian politicians and their cronies looked at South Korea's *chechol* system and saw a model for the economic plunder they hoped to practice. The Asian Miracle as economic model and explanation was part hype, part delusion, part scam, depending on the purposes of the beholder.

It is now clear that many South Koreans, Thais and Indonesians took the money and ran. Their countrymen will have to pay for that through the austerity, unemployment and bankruptcies the IMF conditions for new credit will bring.

But the IMF and the power that guides it in this crisis, the U.S. Treasury, risk building a whirlwind of retribution with their blinkered approach. Their recovery plans impose draconian local conditions on the Asian debtor nations but do not offer demand reforms in the patterns of international investment and lending that contributed to this crisis.

The wizards must address directly and clearly the fault that lies with the international financial community, along with belatedly telling the world about Asia's flaws.

The Washington Post.

Europe Could Teach America Much About Drug Policy

By Ethan A. Nadelmann

NEW YORK — Both at home and abroad, the U.S. government has attempted to silence critics of its official drug policy.

It has tried to suppress scientific studies that reached politically inconvenient conclusions, and to block resolutions supporting the principles of harm reduction.

In May 1994 the State Department forced the last-minute cancellation of a World Bank conference on drug trafficking to which critics of U.S. drug policy had been invited. That December the U.S. delegation to an international meeting of the UN Drug Control Program refused to sign any statement incorporating the phrase "harm reduction."

The prosecution of thousands of otherwise law-abiding citizens every year is both hypocritical and an affront to individual, civil and human rights. ... Drug use should no longer be a criminal offense. I am totally against legalization but in favor of decriminalization for the user."

One can, of course, exaggerate

the differences between attitudes in the United States and those in Europe and Australia.

In October 1996 Emma Bonino, the European commissioner in charge of consumer policy and health protection, advocated decriminalizing soft drugs and initiating a broad prescription program for hard drugs.

Last February the monarch of Liechtenstein, Prince Hans-Adam II, spoke out in favor of controlled drug legalization. Even Raymond Kendall, secretary-general of Interpol, was quoted in London's *Guardian* newspaper in 1994 as saying:

"The prosecution of thousands of otherwise law-abiding citizens every year is both hypocritical and an affront to individual, civil and human rights. ... Drug use should no longer be a criminal offense. I am totally against legalization but in favor of decriminalization for the user."

Public-health officials in many European cities work closely with police, politicians, private physicians and others to coordinate efforts. Community policing treats drug dealers and users as elements of the com-

munity that need not be exploited but which can be made less troublesome.

Such efforts, including crackdowns on open drug scenes in Zurich, Bern and Frankfurt, are devised and implemented in tandem with initiatives to address health and housing problems.

In the United States, in contrast, politicians presented with new approaches do not ask, "Will they work?" but only, "Are they tough enough?"

Many U.S. legislators are reluctant to support drug-treatment programs that are not punitive, coercive and prison-based, and many criminal justice officials still view prison as a quick and easy solution for drug problems.

The lessons from Europe and Australia are compelling. Drug-control policies should focus on reducing drug-related crime, disease and death; not the number of casual drug users. Stopping the spread of HIV by and among drug users by making

sterile syringes and methadone readily available must be the first priority.

American politicians need to explore, not ignore or automatically condemn, promising policy options such as cannabis decriminalization, heroin prescription and the integration of harm-reduction principles into community policing strategies.

Central governments must back, or at least not hinder, the efforts of municipal officials and citizens to devise pragmatic approaches to local drug problems.

All that remains is mustering the political courage.

The writer is director of the Lindesmith Center, a drug-policy research institute funded by George Soros, and the author of "Cops Across Borders: The Internationalization of U.S. Criminal Law Enforcement." This article, adapted from a longer version in *Foreign Affairs* magazine, was distributed by the New York Times Syndicate.

I Still Dream About the Boy Whom I Killed'

By Jo Becker

WASHINGTON — The United States was notably absent from the group of 125 nations that recently gathered to sign the international treaty banning land mines.

The United States (joined only by Somalia) has failed to ratify the Convention on the Rights of the Child, the most widely and rapidly adopted human rights treaty in history.

In Europe, informed, public debate about drug policy is increasingly common in government, even at the EU level. In June 1995 the European Parliament issued a report acknowledging that "there will always be a demand for drugs in our societies" and that "the policies followed so far have not been able to prevent the illegal drug trade from flourishing."

The European Union called for serious consideration of the Frankfurt Resolution, a statement of harm-reduction principles supported by a trans-

national coalition of 31 cities and regions.

More than 2 million children have been killed in armed conflicts in the past decade. Six million have been seriously injured or permanently disabled.

Many more bear psychological scars from being forced to both commit and witness horrific atrocities.

For example, thousands of children have been abducted in to the Lord's Resistance Army, an armed rebel group fighting the Ugandan government. Interviewed after escaping from captivity, a 16-year-old girl told of her experience:

"One boy tried to escape, but he was caught. ... His hands were tied, and then they made us, the other new captives, kill him with a stick. I felt sick. I knew this boy from before. We

were from the same village. I were from the same village. I were killed to kill him, and they told me that they would shoot me. They pointed a gun at me, so I had to do it."

"The boy was asking me, 'Why are you doing this?' I said I had no choice. After we killed him, they made us smear his blood on our arms. ... They said we had to do this so we would not fear death and so we would not try to escape. ... I still dream about the boy from my village whom I killed. I see him in my dreams, and he is talking to me and saying I killed him for nothing, and I am crying."

The use of children as soldiers is a growing phenomenon. In Afghanistan, the proportion of soldiers who are children is believed to have risen in recent years from 30 percent to 45 percent. In other countries, such as Burundi, children are being recruited at increasingly younger ages.

To address this appalling practice, the United Nations has been working to draft an amendment to the Convention on the Rights of the Child to raise the minimum age for recruitment and participation in armed conflict from 15 to 18 years of age.

The U.S. government's obstruction of an initiative that the rest of the world favors, and that would protect a great number of children from combat, is truly unconscionable.

Negotiations fell apart early last year, however, when the United States became the only country unwilling to accept 18

as a new minimum standard for participation in armed conflict.

Negotiations are set to resume next month, but unless the United States changes its position, any further progress may be impossible.

Washington bases its objection to the agreement on current U.S. recruitment practices, which allow 17-year-olds to enlist with parental permission. In fact, less than one-half of 1 percent of U.S. troops are below the age of 18. After completing basic and technical training, nearly all of these soldiers have reached 18 before being assigned to combat positions.

Recently, 38 former U.S. military officers (including several retired admirals and generals) wrote to President Bill Clinton, saying that "an agreement establishing eighteen as the minimum age for participation in armed conflict reflects the strong desire of the world's nations to set a new international standard for protecting children from the horrors of war."

The U.S. government's obstruction of an initiative that the rest of the world favors, and that would protect a great number of children from combat, is truly unconscionable.

The writer, advocacy coordinator for Human Rights Watch Children's Rights Division, contributed this comment to The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: 'Wicked' Paris

NEW YORK — The *Star* makes a sensational charge that Paris is one of the most lawless cities in the world: "The French really pretend to be a little better than other nations. They regard their criminals as artistic and even refined criminals. If you tell a Frenchman that his laws are breeding a race of criminals, he will not believe you. He thinks that you are a barbarian because you are a foreigner and that you know nothing about it. He believes France to be not only the greatest of all countries, but the most virtuous. He excepts Paris, perhaps, because he likes to be lieye that Paris is wicked."

Rational worrying requires weighing two primary variables: the probability of an event and the magnitude of that event. Living next to a nuclear plant involves a minuscule likelihood of a large disaster. Driving to the grocery store in this era of "road

rage" — that is worrisome. Irrationality about risks results in among other wastes, public regulations and expenditures that do not fit reality. So just as young doctors should be told that all their patients are going to die, everyone needs to be reminded that there always will be a few especially important causes of death.

One reason we live in an age of irrational anxieties is that television, a dispenser of perceptions, is an efficient instrument for erasing the distinction between measured risks and perceived risks.

Furthermore, television news is produced largely by and for baby boomers, who in their narcissism constantly congratulate themselves on discovering new things (sex, cigars, injustice, martinis, risks). Now they are turning 50 and discovering a cosmic injustice: They are going to die. Is this fair? Can't Congress produce just one more entitlement?

If this generation of whiners had been born just 50 years earlier, many of its members would have died before learning how to whine.

Obsessing about physical risks comes naturally to a society that defines the good life in terms of material well-being and thinks the aim of politics is the ever finer fine-tuning of life's fairness.

Washington Post Writers Group.

1948: Moroccan Ire

PARIS — The Sultan of Morocco, Sidi Mohammed ben Yusef, has demanded the

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Cultural Ecology: Saving the Past Debate Rages Over Antiquities

International Herald Tribune

NEW YORK — Voices are getting shriller by the day in the debate that pitches those eager to protect the buried treasure of mankind, antiquities, against those desperate to defend private collecting and the trade that caters to it.

It fills pages in the January-February issue of *Minerva*, The International Review of Ancient Art & Archaeology, founded by a New York dealer, Jerome Eisenberg, a Jekyll-and-Hyde character who loves his trade but is equally fascinated by archaeology as a science.

The debate is at the source of the international agreement on stolen or illegally exported cultural objects, the Unidroit convention, promoted by the

SOUREN MELIKIAN

United Nations Educational, Scientific and Cultural Organization — some European states voted in favor, the United States may or may not agree — and it is angrily spilling into the courts, American ones included. As in all vital issues, both sides have a case to make.

There is little doubt that illicit digging for profit smashing up the global world hoard stashed underground. It is as damaging to our cultural heritage as pollution is to our environment. It mutilates masterpieces and destroys entire categories — buried ivories, which need to be stabilized before being touched, do not survive. Not least, it destroys the nonscriptural body of evidence that underpins the history of world culture.

At wide intervals there is a (partially) happy ending, often courtesy of dealers like Eisenberg.

Those who pass through the Egyptian rooms of the Metropolitan Museum in New York will be struck by the gray granodiorite statue of a man. Pressing a staff against his chest, his head slightly thrown back, the man has an inevitable smile of inner certainty not uncommon under Amenhotep III (around 1391-1353 B.C.). Broken and losses speak of rough handling. The tip of the nose is smashed, the tressed beard retains only traces of its tapering tip. Most of the right arm and the middle portion of the left arm holding the staff are gone, as are the legs, chopped off below the knees.

THE Metropolitan Museum of Art Bulletin that came out in mid-November as a record of yearly museum acquisitions cryptically notes, "The torso, in a private collection for three decades, was only recently identified as belonging to the head." *Minerva* supplies the details about which the Bulletin seems so shy. There you read that the Royal Athena Galleries, in other words, Eisenberg, who owns and runs it, bought the torso at auction in Paris in 1995.

The dealer, who holds a doctorate degree in archaeology, had a scholar's reflex. Although there are no hieroglyphs on the sculpture, he turned to Raymond Johnson of the University of Chicago Epigraphic Survey at Luxor. Johnson

was immediately reminded of a head in the Met, bought in 1919.

When brought into the museum for comparison, the torso and the head were found to belong together and eventually, the museum bought the piece. The damage caused to the Egyptian masterpiece has thus been greatly reduced. The poise of the figure, now restored, gives a new meaning to the man's expression, full of dignity. But with the loss of the arms, the sculptural balance has been irreparably impaired.

Had the statue been recovered from a proper excavation, damage caused in ancient times when it was smashed, perhaps under Amenhotep III's successor, would be visible. But in all likelihood, it would have retained most of the broken bits. The missing arms, wedge-like fragments splintered off the shoulders, would not have been lost.

Yet that is negligible compared with the gigantic havoc now wrought from Turkey to China, most of it unreported. The worst affected countries are never mentioned. Tibet has been devastated and its debris acquired by Western museums. Echoes have yet to filter to the West of the disaster that took place at Kal-e Makarem, in Western Iran a few years ago. An inaccessible cave high up in the mountains apparently made into a royal repository, possibly religious, was nearly emptied of its contents before an archaeological team from Tehran could reach it. Among the works still in place when it arrived, the Persian journal *Mir-e-Farhangi* (Cultural Heritage) reported, were two life-size silver goats, with wings in the back, standing on their hind legs. One or two masks, presumed to be of human-headed winged lions were found. Later, one of these was seized from traders trying to take them out of the country. It was shown to me in the storage room of the Ministry of Culture.

Shortly afterward, a flow of gold and silver vessels in a style clearly paving the way for the great classical style of the Achaemenid Empire (559-334 B.C.) broke and losses speak of rough handling. The tip of the nose is smashed, the tressed beard retains only traces of its tapering tip. Most of the right arm and the middle portion of the left arm holding the staff are gone, as are the legs, chopped off below the knees.

But Eisenberg himself is clearly distressed by the havoc. The latest issue devotes a whole page to the recovery (in, appalling condition) by German police on Oct. 10 of Byzantine mosaics that were ripped off the church of Panagia Kanakaria at Lythrangomi in Turkish-occupied Cyprus and the recovery of plaster medallions stolen from the Kabul National Museum. The dealer has told me that he never buys fragments from monuments, nor will he do business with runners who come straight from the source countries.

Can the protection of the world heritage, and the collecting impulse that prompts the trade, ever be reconciled? Some partial solutions are conceivable.

In scale, the catastrophe is worst in the Middle East and China, but in nature, the problem is worldwide. There are two differences with the past. Physical de-



Metropolitan Museum of Art Bulletin
Granodiorite statue from the reign of
Amenhotep III, c. 1391-1353 B.C.

struction has accelerated (metal detectors plus dynamite make a lethal combination), and a tide of opinion, academic and otherwise, is mounting against this state of affairs.

Minerva is ringing with echoes of the debate that is erupting. The Unidroit convention established by Unesco and adopted by some countries may be imperfect but the very fact that it exists has consequences. There have been spectacular conversions from a debonair tolerance of collecting to fierce opposition.

COLIN RENFREW, who wrote "The Cycladic Spirit," a book about the finest private collection of Cycladic art in existence, published by Harry N. Abrams, is now campaigning hard for the adoption of Unidroit in Britain. The Guardian quoted him last year as writing that "dealers have shop windows full of bits and pieces, most of which are the product of illegal excavations."

This provoked an enraged Eisenberg to reply with a blistering, "Enough is enough, Lord Renfrew," in the September-October issue of *Minerva*.

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First of two articles. Next week: Some answers to a cultural dilemma.

HEART AT THE AIRPORT By Mark Danna

ACROSS

- 1 River name meaning "where the goods are brought in"
- 8 "Shame" man
- 12 "Shame" composed for the job
- 18 "Woman-related"
- 20 Mine, in Amiens
- 21 Most volatile commodity
- 22 "Hey, baby, you want to sit with me on the plane?"
- 24 Transport to ecstasy
- 25 Game for two of four
- 26 "While we're in the air, write an essay on aviation"
- 28 "Don't waste your breath"
- 31 Still
- 32 Some M.I.T. grads
- 33 Spree
- 35 Nods, perhaps
- 37 "I'm an unattractive woman who'll grab the whole trip"
- 43 Revolt
- 45 Burden
- 48 Deanna of "Star Trek: T.N.C."
- 49 "Mullholand Falls" actor
- 50 One of the clan
- 51 Bad-mouth
- 53 "Jump out!" (jump's cry)
- 55 Manor near Twelve Oaks
- 56 "Follow order in this plane area or else!"
- 62 Court huddle
- 64 Twice 75-Down
- 65 Sen. Cochran
- 66 Roman called "The Elder"
- 68 Trackers, e.g.
- 69 "Prepared to do a spot on airports"
- 73 Accused's retort
- 74 Midding
- 75 Cross letters
- 76 Sine — non
- 78 Pilot's wear
- 82 "Executives, today's lesson is on jet financing"
- 86 Years of Nero's reign
- 88 Found groovy
- 89 Bush, for one
- 90 Bits
- 91 Bank deals
- 93 A Bear
- 96 "Pain with biology"
- 98 Housekeeping
- 99 "First I'll need, then watch the movie, then..."
- 101 Fen — (die drug combo)
- 103 Through working: Abbr.
- 104 Asteroid
- 105 Spanish article
- 107 Lions and tigers and bears, e.g.
- 114 Rhyme scheme
- 118 Conspicuousness
- 119 "My suitcase is heavier than yours"
- 122 Pollen, e.g.
- 123 Lake near Jacobs Field
- 124 Put into motion
- 125 North Pole family
- 126 Pick-me-up
- 127 Burns steers?
- 129 Dismounted, with "out"
- 130 Not spec.
- 131 "Wild" to a duck
- 132 Ice cream brand
- 133 Teller
- 134 Tellur
- 135 Not spec.
- 136 Harassing
- 137 Watch chain
- 138 Lass
- 139 Rose Bowl
- 140 Tress, e.g.
- 142 50% of Bonn
- 143 Among, in poetry
- 144 "Wheel of Fortune" buy
- 145 "Prepared to do a spot on airports"
- 146 DOW
- 147 Darts' places
- 148 Siouan speaker
- 149 Jess, e.g.
- 150 Gold braid
- 151 Porch with a view
- 152 Dohn's land
- 153 Treatment
- 154 Mayo, for one
- 155 Plus
- 156 See 54-Across
- 157 Wash against
- 158 Accused's retort
- 159 "Indeed!"
- 160 "Examine closely
- 161 Assemble
- 162 Psychonaut
- 163 Aver
- 164 Joy of wild animals?
- 165 Split
- 166 Chow —
- 167 Secy.
- 168 Last in line, usually
- 169 Don't blame — voted for
- 170 2nd or polter forever
- 171 One telephone button
- 172 They're missing from a roll
- 173 Contest
- 174 American flinch
- 175 Bees
- 176 Driving bird
- 177 Lichtenstein, for one
- 178 — condolence
- 179 Spills the beans
- 180 Gillette brand
- 181 Landing
- 182 It's "here" in Le Havre
- 183 Pitches
- 184 Greek letters
- 185 Basic sugar
- 186 Handshakes?
- 187 Discontinued, with "out"
- 188 Hydroxyl-carbon compound
- 189 Small English coins
- 190 — d'Orléans
- 191 Veto
- 192 First name in horror
- 193 Watch chain
- 194 1997 Rose Bowl
- 195 Women: Abbr.
- 196 50% of Bonn
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- 103 Pitches
- 104 Greek letters
- 105 Basic sugar
- 106 Handshakes?
- 107 Sire
- 108 French toast
- 109 Convention site
- 110 Stewpot
- 111 Veto
- 112 Not spec.
- 113 Pre-weekend cry
- 114 Canamale deity
- 115 Fishing luck
- 116 N.F.L. soccer Bryce
- 117 Home of the Cyclones
- 118 Small punch
- 119 Old French coin
- 120 Jet's home
- 121 Change for a dol.

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Hirschfeld's Vision of Theater

By David Leopold

NEW YORK — "Would like a drawing of Harry Lauder two cols deep delivery no later than Tuesday," Sam Zolotow, New York Times. "These 20 words, in a telegram to Al Hirschfeld, changed the way we look at the theater.

The drawing of the Scottish vaudeville star, published on Jan. 29, 1928, marked the beginning of Hirschfeld's 70-year association with The New York Times. Throughout the decades, to be "Hirschfeld" has been a sign that one has arrived.

Now, at the age of 94, the man many believe to be the finest caricaturist of his era will be celebrated in at least three major exhibitions.

Instead of deflating his subject, a tradition in caricature, he joins the actors in their pantomime, capturing their characters in so few lines that the playwright Terence McNally once said: "No one 'writes' more accurately of the performing arts than Al Hirschfeld. He accomplishes on a blank page with his pen and ink in a few strokes what many of us need a lifetime of words to say."

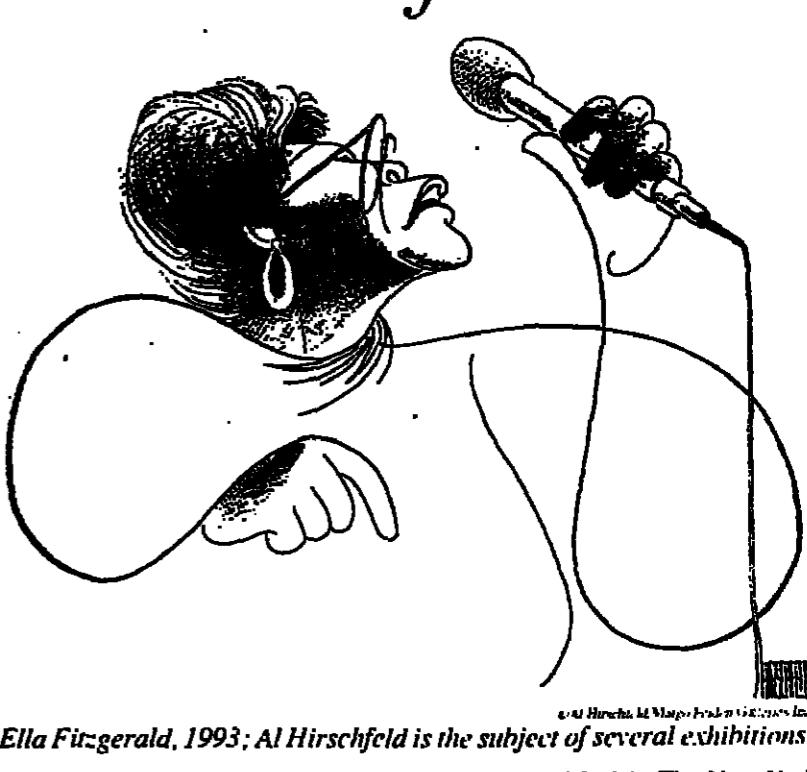
When he can, the artist works from life, making sketches and notes on a pad or in his pocket during a performance. Back in his studio in Manhattan, he collates his notes and sketches with photos of the production to shore up his self-declared "faulty memory" and distills them onto a drawing board.

But for a man who lives resolutely in the present, his past keeps coming back to haunt him. It is understandable. He has traveled, almost as a Zelig-like character, from Gertrude Stein's Paris salon to the first cellular on-line conference. And he has recorded and participated in nearly the entire history of the lively arts in the 20th century.

He is an easy raconteur, and some of his recollections were recorded during the making of "The Line King," a 1996 film about him by Susan Dryfoos that was nominated for an Academy Award and has recently been released on video.

It is his artwork though that offers the truest reflection of the man: uncomplicated, engaging and often irreverent. Opportunities to study his "unaccountable line," as he calls it, include a major retrospective opening on Jan. 18 at the Museum of Art in Katonah, New York.

The show ranges through nine decades, from a drawing by the budding 11-year



Ella Fitzgerald, 1993: Al Hirschfeld is the subject of several exhibitions.

old artist to his most recent work. Other exhibitions that include his work will be at the Library of Congress and the National Portrait Gallery in Washington and Harvard University in Cambridge, Massachusetts.

It is in his film art that the evolution of the Hirschfeld line can be traced. Rising from office boy at Goldwyn Pictures in 1920 to art director at Selznick Pictures two years later, Hirschfeld was already widely acclaimed for his movie poster artwork before he published his first theatrical caricature. His early influences were what he now refers to as the "eye, ear, nose and throat" drawings of Charles Dana Gibson, who defined an era with the Gibson Girl.

Hirschfeld then graduated to the stylized line drawings of John Held Jr., the illustrator of the Jazz Age. In 1924, when he was 21, he took a studio on West 42d Street with the newly arrived Miguel Covarrubias, and was bitten by the bug of caricature that Covarrubias had brought from his native Mexico.

"There was something about Miguel's background that made him a natural graphic artist," Hirschfeld said recently. "And a lot of that rolled onto me." His theater work began with a doodle of the French actor Sacha Guitry on a

program, published in The New York Herald Tribune in 1926. (It was the start of regular theatrical assignments that became exclusive with The New York Times in 1943. A handshake sealed the agreement until 1990, when a contract was drawn up.)

Instead of relying on the outline or profile of his subjects, like many of his early contemporaries, he has employed a palette of graphic symbols (including his daughter's name, Nina, which he began hiding within his work in 1945) to translate the action of the whole body into line drawings that have become the lingua franca of generations of actors and audiences.

But no matter how he is celebrated, the artist knows there is a clean, cold-pressed illustration board sitting on his drawing table that cares little for what he has done in the past. On it will be his favorite drawing: the one he is working on today.

NYSE

Friday's 4 P.M. Close

The 2,400 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere

The Associated Press.

Continued on Page 12

Manila Exchange Leads Rout of Asian Markets

By Thomas Crampton
International Herald Tribune

BANGKOK — Topping off a week of unprecedented currency turmoil in Asia, every stock market in the region fell Friday despite signs that the United States and International Monetary Fund would intensify efforts to help ease the crisis.

Even such traditional safe havens for capital as Hong Kong and Singapore joined in the plunge as investors scoured stocks that many analysts said are already undervalued.

Manila stocks led the rout with a loss of 8.3 percent, followed by Singapore with 7.4 percent and Hong Kong with 3.9 percent.

But the gloom was felt throughout the region as Kuala Lumpur stocks fell 3.1 percent, Seoul 2.4 percent, Bangkok 2.9 percent, Sydney 1.8 percent, Jakarta 1.2 percent and Shanghai 3.9 percent.

Tokyo stocks slipped 0.2 percent and Taipei 0.5 percent.

"There will certainly be an end to this crisis, but it is impossible to say when," said Mark Sundberg, co-head of regional research at Salomon Brothers. "Without a doubt these currencies and stock markets have dropped to levels that do not reflect their underlying value, but you just can't put a date on when confidence will return and people will begin buying."

The region's currencies, including the Indonesian rupiah, took a respite from a week of hitting historic lows against the U.S. dollar almost daily following reports that Deputy Treasury Secretary Lawrence Summers would travel to Jakarta this weekend in an effort to negotiate a "strengthening and

acceleration" of Indonesia's \$43 billion international bailout.

The IMF's top officials, Managing Director Michel Camdessus, and the first deputy managing director, Stanley Fischer, plan to visit Asia next week.

While positive, analysts said the news was not enough to reassure investors that Asia's final U.S. dollar-pegged currency, the Hong Kong dollar, was immune to speculative attacks.

Investors, fearing high interest rates if the currency comes under attack, fled the Hong Kong market, driving the Hang Seng index down for the sixth straight session to close at 8,894.64 points, its lowest since May 10, 1995.

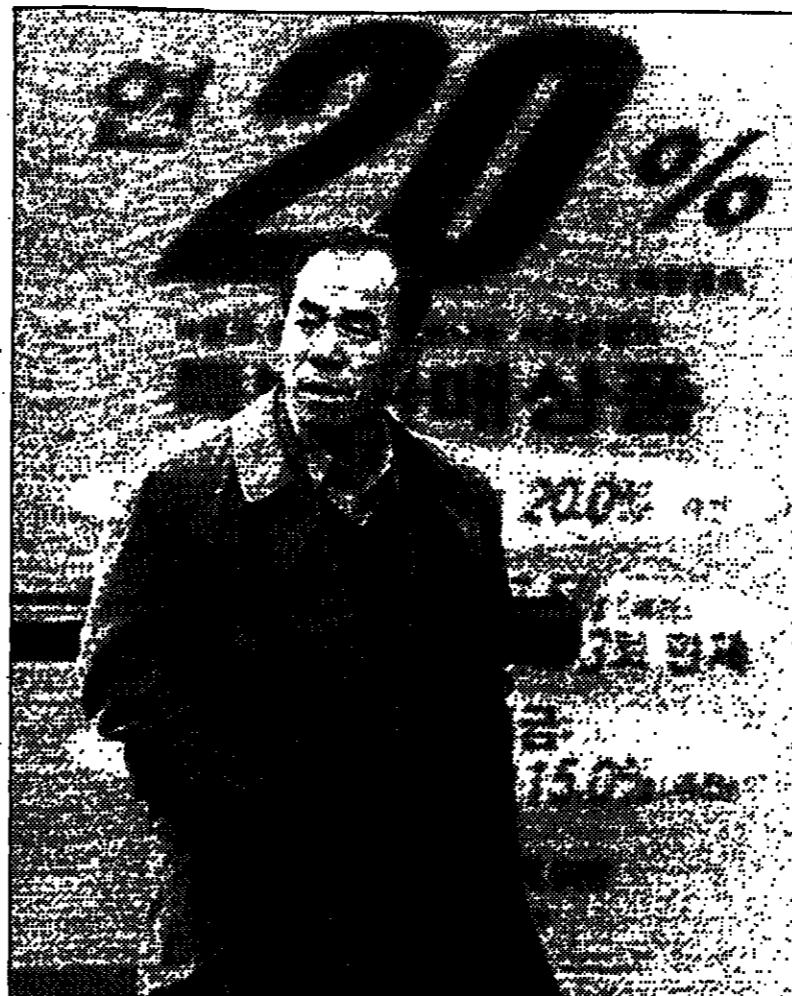
The length and severity of the regional turmoil has also raised concern that, despite repeated denials by Beijing, China may devalue the yuan.

Singapore suffered a stinging blow Friday as plunging stocks further tarnished the prosperous island's image as a safe haven and pushed the market's total loss in the first week of this year to 22 percent.

The Singapore dollar, which had until recently been relatively insulated from the regional turmoil, has fallen 20 percent since the crisis began in July, with the sharpest decline taking place in the last few weeks.

The sell-off in Singapore has largely been driven by the currency collapse in Indonesia, and few buyers will return until the regional turmoil settles down, analysts said.

On Thursday, the Indonesian rupiah fell 26 percent to a record low of 10,550 to the dollar. The rupiah has lost half its value since the year began and about 75 percent of its value since July when currencies began dropping to re-



A man in Seoul walking past a bank advertisement Friday that offered a 20 percent interest rate on savings deposits. Big international banks have agreed to keep extending due dates on loans until the crisis is solved.

cord lows in several Asian countries. In Malaysia, dealers said uncertainty over the ringgit could result in more equities selling next week in a stock market that was already trading near a seven-year low.

Regional sentiment also pulled down Thai stocks. Analysts said the market had already discounted a downgrading of long-term Thai debt by Standard & Poor's Inc. to one notch above "junk."

Also canceled is a separate purchase of Peregrine stock worth \$50 million, by

Chicago International Finance Corp., a subsidiary of First Chicago Corp. Its completion was contingent on the Zurich purchase going through. A third intended purchase by a party never identified by Peregrine has also been canceled.

The collapse of the deal was hardly a surprise after the Zurich transaction was put off earlier this week, subject to renegotiation. Zurich had second thoughts as it emerged that Peregrine could be owed as much as \$270 million by a single Indonesian debtor with ties to the Suharto family.

And given Peregrine's losses in the local stock and bond markets — it set aside \$60 million in the first ten months of last year alone to cover losses — some observers were surprised that the original deal was struck in the first place.

"We thought it was amazing that Zurich came in at all," said an analyst who asked not to be identified.

Once the brashest of investment banks that paid some of Asia's heftiest salaries and saw executives arrive at work in Rolls Royces, Peregrine set out in 1988 to conquer Asia by being a homegrown investment bank that would specialize in Asian securities.

During 1996 and the first nine months of 1997, it was the top underwriter of Asian stock sales. The company has 33 offices in 15 Asian countries as well as in other major financial centers.

Along the way, its aggressiveness landed it in trouble with regulators and local partners in Vietnam, Burma and South Korea.

Last year, Vietnamese authorities

See PEREGRINE, Page 14

Elusive Global Watchdogs

Business Joins Bureaucrats in 'Private' Talks

By Jeff Gerth
New York Times Service

NEW YORK — The gilded Palais des Nations in Geneva is a perfect setting for the elite group of industry executives and government regulators who regularly meet there to establish worldwide auto safety regulations for the next century. A sign marked "Private" prevented anyone not part of the official 90-member delegation from entering the last gathering held in November.

As they decide public safety issues from emission standards to safety belts that will affect drivers and passengers around the world, the Geneva negotiators do not have to adhere to many of

ECONOMIC SCENE

the rules requiring openness to the public and interest groups that govern similar proceedings in the United States.

In the interest of breaking down trade barriers, negotiations like these are trying to harmonize or create common regulations for products to be sold around the world.

The auto negotiations in Geneva are on the cutting edge of this new regulatory world, where government agreements on everything from drug-testing procedures to food safety standards are driven largely by the business interest most directly affected.

At the dawn of this new worldwide regulatory machinery, it is premature to predict its impact. But corporate executives are generally ecstatic, consumer advocates are increasingly critical and many regulators from the United States have mixed feelings. This reflects the tension that can sometimes arise between the expansion of trade and the retention of high standards for safety and health.

Barely noticed outside a small circle, the international rule-making has sparked an underground debate over who gets to write the rules. Already, one of its creators is worried about the shape it is taking.

"This is about sovereignty, multinational corporations, the new post-Cold War world, global standards and in-

ternational harmonization," said Mickey Kantor, who served as chief trade negotiator and commerce secretary for President Bill Clinton during his first term. "These are very important issues. But it is like they are being dealt with in a closet somewhere and no one's watching."

The final automobile standards agreement is expected by March but few consumer advocates will have had a say. There were 62 government regulators and 26 industry representatives who took part in the Geneva auto committee last November, under United Nations rules, but only one consumer representative from London and one auto club member from France.

Many U.S. regulatory operations, from those designed to prevent unsanitary meat-packing plants and adulterated drugs at the turn of the century to those put in place in the 1960s in response to unsafe cars, were created to address social concerns and before global trade was so important. Now, some of these rules are seen as bureaucratic impediments that can block markets and cause inefficiency.

Paul Stern, chairwoman of the U.S. International Trade Commission under Presidents Jimmy Carter and Ronald Reagan, is one of the architects of what she calls "entrepreneurial diplomacy."

Now paid by corporations as a trade consultant, Ms. Stern applauds the role of businesses in what she sees as a valuable effort to streamline international regulation while maintaining public protection as worldwide trade expands.

She said it was possible to "adapt the necessary goals of protecting health in a way that is also the most efficient and the most streamlined and that will make the U.S. economy the most competitive."

But since the regulation and standard setting is increasingly taking place in less open or accessible international forums, like the United Nations committee in Geneva, safety advocates worry that their concerns will be slighted. Already, David Snyder, an assistant counsel with the American Insurance Association, has criticized the "closed door" nature of the road to Geneva.

Under Negotiation

Some of the issues global rule makers are dealing with.

MOTOR VEHICLES
Standards for energy efficiency, pollution controls, and safety, including brakes, tires and seat belts, are on the table.

FINANCIAL SERVICES
Setting minimum standards for how much capital banks must hold in reserve to reduce the risk of a global financial panic is a central element in a broader review of banking regulation.

ACCOUNTING
Proper ways to account for derivatives and other financial instruments are being discussed as part of a larger effort to standardize global accounting principles.

DRUG APPROVAL
Procedures for conducting drug trials and reporting the results are under review.

FOOD SAFETY
Acceptable levels of food additives, lead content in mineral water and pasteurization of dairy products are just a few of the hundreds of standards being set by one group.

The United States wants to open up the process, but does not always get its way in international standard-setting forums. Last year, for example, Codex Alimentarius, a Rome-based group that sets global food safety standards, rejected U.S. efforts to cut in half the acceptable levels of lead in mineral water and to require dairy products to be pasteurized.

International business diplomacy was jump-started in 1995 with the creation of the World Trade Organization, which calls for single standards and shared regulatory systems across borders in the name of reducing barriers to trade.

Members of the WTO, like the United States, can theoretically retain their own higher standards, but those standards would be harder to defend before its international panels against a charge by

See TALKS, Page 14

CURRENCY & INTEREST RATES

Cross Rates

	S	E	D.M.	F.F.	Lfr.	PLN	N.F.	N.F.	Yen	CS	Pounds
Amsterdam	2.005	2.005	1.1200	1.0264	1.1147	1.0205	1.0205	1.0205	1.0205	1.0205	1.0205
Brussels	2.015	2.015	1.1205	1.0265	1.1147	1.0205	1.0205	1.0205	1.0205	1.0205	1.0205
Frankfurt	1.0144	1.0145	—	—	—	—	—	—	—	—	—
London (G)	1.0149	1.0150	—	—	—	—	—	—	—	—	—
Madrid	1.0149	1.0150	—	—	—	—	—	—	—	—	—
Milan	1.0147	1.0148	—	—	—	—	—	—	—	—	—
New York (N)	1.0121	1.0122	—	—	—	—	—	—	—	—	—
Paris	1.0108	1.0109	—	—	—	—	—	—	—	—	—
Tokyo	1.0138	1.0145	—	—	—	—	—	—	—	—	—
Toronto	1.0127	1.0128	—	—	—	—	—	—	—	—	—
Zurich	1.0129	1.0130	—	—	—	—	—	—	—	—	—
1 ECU	1.0104	1.0105	—	—	—	—	—	—	—	—	—
1 GBP	1.0104	1.0105	—	—	—	—	—	—	—	—	—

Currencies in Amsterdam, London, Milan, Paris and Zurich. Ratings in other currencies: New York (N).

of 4 P.M. and Toronto rates at 3 P.M.

To buy one dollar: "Units of 100 N.G. not quoted; N.A.L. not available."

Other Dollar Values

Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Avg. peso	0.593	Greek drach.	268.01	Hong Kong \$	7.747	ILs. (Brazil)	1.0205	Malaysian ringgit	1.0205
Australian \$	1.5562	Hung. forint	205.88	Phil. peso	8.02	Ar. (Argentina)	1.0205	Swiss franc	1.0205
Austrian sch.	12.811	Italian lira	10.00	Polish zlota	4.424	Taiwan \$	3.417	Turkish lira	21.00
British red.	1.1178	Mal. ringgit	0.7255	Port. escudo	188.25	U.S. dollar	1.0205	U.S. dollar	1.0205
Chinese yuan	—	North. Korean won	—	Swiss franc	1.0205	U.S. dollar	1.0205	U.S. dollar	1.0205
Czech krona	3.7410	Portuguese escudo	1.0205	Swiss franc	1.0205	U.S. dollar	1.0205	U.S. dollar	1.0205
Danish krona	6.9411	Taiwan dollar	3.563	Swiss franc	1.0205	U.S. dollar	1.0205	U.S. dollar	1.0205
Egypt. pound	3.7045	Taiwan dollar	3.563	Swiss franc	1.0205	U.S. dollar	1.0205	U.S. dollar	1.0205
Fiji, murti	5.5212	Malay. ringg.	4.6222	Swiss franc	1.0205	U.S. dollar	1.0205	U.S. dollar	1.0205

Sources: ING Bank (Amsterdam); Core Investment Bank (Brussels); Boersma Commercieel (Antwerp); Banque de France (Paris); Royal Bank of Commerce (Milan); Banque de France (Paris); Royal Bank of Commerce (Milan); IMF (SDR).

ASIA/PACIFIC

Fearful Companies Begin Hedging Hong Kong Dollar

Bloomberg News

HONG KONG — Hong Kong companies are increasingly hedging against the risk that the Hong Kong dollar, the last in Asia tied to the U.S. dollar, may soon buckle like other currencies in the region.

As Hong Kong was pulled deeper into the region's financial turmoil Friday, bankers said companies were trying to limit their exposure in the event of a sudden devaluation. Hong Kong's benchmark stock index fell to its lowest point since May 10, 1995, and interest rates surged as pressure mounted on the Hong Kong dollar.

"We're more and more concerned," said Hou Bojian, financial controller of Guangdong Investment Ltd., whose businesses include property, hotels and brewing. The company is considering whether to hedge more and so far, it has not decided what to do, he said.

Guangdong Investment and other Hong Kong companies together owe billions of U.S. dollars to banks and bondholders. If the Hong Kong dollar's 14-year link to its American

counterpart breaks, the cost of repaying that debt will surge.

The Hong Kong government has said repeatedly that it will keep the currency pegged at about 7.80 to the dollar. That link has helped insulate this former British colony from the currency swings roiling other Asian economies.

China, which resumed sovereignty last July, insists it will defend the peg with its own \$140 billion of currency reserves if needed.

Yet the economic cost of keeping the peg — rising interest rates, declining property prices and stocks and slowing economic expansion — keeps growing. Some economists say the Hong Kong dollar would weaken as much as 20 percent if it were allowed to move freely.

A rush to hedge against the Hong Kong dollar is driving up the cost of buying such insurance. Companies typically hedge Hong Kong dollar exposure by buying forward currency contracts or cross-currency interest rate swaps.

In a forward transaction, a company buys a contract from a bank or

broker that allows the company to sell Hong Kong dollars and receive U.S. dollars at a fixed price on a later date, thus removing the risk that the Hong Kong dollar will depreciate.

Six months ago, the cost of a 12-month forward contract was nearly zero;

the perceived stability of the Hong Kong dollar peg meant 12-month forward rates were almost identical to the spot, or daily, exchange rate.

Today, the 12-month forward rate is about 8.40, or more than 8 percent above the spot rate. That means a Hong Kong company wanting to hedge 100 million Hong Kong dollars into U.S. dollars would pay more than 8 million dollars to do so.

Banks also devise more complex transactions to deal with different kinds of currency exposure.

"Over the last couple weeks we've seen quite a lot more of these structures," said Keith Pogson, a se-

nior manager in the international capital markets group at the accounting firm Ernst & Young. Banks increasingly have been trying to sell such transactions to clients, who in turn show them to the accountants for appraisal.

"People are looking at them pretty seriously," Mr. Pogson said. Exporters and importers, in particular, are stepping up their efforts to hedge.

As currencies plunge across the region, the Indonesian rupiah is down 36 percent this year alone. Hong Kong must bear the economic cost of rising rates to bow to market pressure and sever the peg. Ordinary people are already feeling the pain in this regional hub for finance and trade. Home prices fell 20 percent since October and are still declining.

Adding to that pain, Hong Kong banks were forced to raise their prime lending rate Friday to 10.25 percent, the highest since June 1991, because of the surge in their own borrowing costs. Rates are rising because investors are demanding higher and higher returns to hold Hong Kong dollars.

"The environment is very tough and a higher rate is the cost we have to pay," said Andrew Fung, treasurer at Commonwealth Bank of Australia in Hong Kong. "Given the regional crisis, it's likely we're going to live in double-digits."

Given the turmoil sweeping the region, companies that earn money in Hong Kong dollars alone are probably trying to limit their exposure, said William Fung, managing director at Li & Fung & Co. "If they think there's any chance of a Hong Kong dollar devaluation, they've been doing some hedging."

Schroder Securities (Asia) Ltd. has issued a report to its clients warning that pressure on the Hong Kong dollar may grow. The firm said it expects the peg to hold "for the foreseeable future," though "at the cost to Hong Kong of high interest rates."

Investor's Asia

Hong Kong	Singapore	Tokyo
Hang Seng	Strait Times	NIkkel 225
16500	2000	20000
15000	1500	19000
13500	1700	18000
12000	1550	17000
10500	1400	16000
9000	1250	15000
A S O N D J 1997	A S O N D J 1998	A S O N D J 1997
Exchange	Index	Friday
		Closes
Hong Kong	Hang Seng	8,894.64
Singapore	Strait Times	1,176.35
Sydney	All Ordinaries	2,603.10
Tokyo	Nikkel 225	14,995.10
Kuala Lumpur Composite	Composite	491.80
Bangkok	SET	349.67
Seoul	Composite Index	414.00
Taipei	Stock Market Index	7,737.28
Manila	PSE	1,518.00
Jakarta	Composite Index	342.97
Wellington	NZSE-40	2,269.28
Bombay	Sensitive Index	3,530.20
		3,598.16
		-1.89

Source: Telekurs

International Herald Tribune

Very briefly:

- The International Monetary Fund will begin talks with Vietnam next week about providing fresh assistance to the cash-strapped country, even though the Fund quietly cut the flow of money to Vietnam two months ago when the government failed to implement promised reforms.
- Dai-ichi Inc. will close five unprofitable stores in a major policy change for Japan's largest chain-store operator, which had refused to shut such outlets.
- Samsung Electronics Co. said it wanted to sell its 38-percent stake in Samsung Electronics Portugal Lda., a joint venture with Texas Instruments Inc. in Portugal, as part of its move to cut costs.
- Cambodia has lowered its international long-distance telephone rates by 18 percent, the Ministry of Posts and Telecommunications said.
- Moody's Investors Service Inc. has downgraded the long-term debt ratings of Mitsubishi Motors Corp., from "A3" to "Baa2," citing the company's "deteriorating earnings and weakening debt protection measurements."
- Thailand's rice exports last year were 5.31 million metric tons, about the same as the previous year in volume, but worth 29 percent more in value, as the price in baht was bolstered by a currency devaluation in July, the Commerce Ministry said.
- India, drawing a lesson from the crisis affecting other Asian economies, will move carefully on the road to make the rupee convertible on the capital account, but sees no harm in freezing the currency, said Finance Minister P. Chidambaram.
- Credit Lyonnais Securities Asia Ltd. will cut salaries by 10 percent to 20 percent as Asia's economic crisis has forced stock brokerages in the region to tighten their belts.
- Canox Inc. has acquired a controlling 51 percent stake in Tokyo Denshi Seikei KK, a Tokyo-based company that specializes in printer-related technologies.
- United Engineers Malaysia Bhd. is expected to announce that it may sell a 32.6-percent stake in its parent company, Renong Bhd., to a third party, a person involved in the plan said.

www.europe.chn.com

Thai Curbs on Speculation Give Short-Term Comfort

Compiled by Our Staff From Dispatches

BANGKOK — The Bank of Thailand's latest measures to curb currency speculation to support the baht will give the market a psychological lift, but success will hinge on enforcement, analysts and dealers said Friday.

The new steps were seen as a short-term solution producing positive results only if longer-term solutions like sound macroeconomic policies and efforts to generate foreign-currency earnings were firmly in place, they said.

"Speculation is partly to blame for the plunge of the baht," a senior foreign banker said. "Tough action on it would send a good message to the market."

But, he said, "there are debt obligations to meet and bills to pay and the money is flowing out of the country and this region. That's the main reason why the baht tumbled."

The measures failed to immediately buoy the baht. The dollar continued to rise against the baht, climbing to 34.05 baht on Friday from 32.65 baht on Thursday. Since July, when Thailand allowed the currency to move freely, setting off a string of

devaluations across Asia, the Thai currency has lost half its value.

Under the new measures to curb baht speculation, penalties for foreign-exchange trading violations will be raised and each retail dollar-buying transaction under \$5,000 from commercial banks will be checked.

Surveys of foreign-exchange transactions by commercial banks will also be conducted to keep speculation in the Thai unit under check, the central bank said.

The Bank of Thailand will look into every foreign-exchange transaction to ensure that every transaction has an underlying justification and evidence to discourage commercial banks from doing deals without underlying business," the bank said.

The central bank added that it would conduct random on-site inspections by sending its officials to commercial banks. Any bank found to be hoarding or violating rules will have its trading rights suspended.

Central bank officials will be posted in the trading rooms of commercial banks, and more documentation will be required for many foreign-exchange transactions. The move is the latest in a series

Volvo Truck Sets Chinese Venture

Bloomberg News

STOCKHOLM — Volvo Truck Corp., the truck division of the Swedish carmaker Volvo AB, said Friday that it would establish a joint venture with China National Heavy Truck Corp. to make and distribute 20,000 trucks annually.

The Chinese State Council, or cabinet, has approved the project, Volvo said.

It's a 50-50 venture with an explicit management responsibility for Volvo," said Stefan Lorentzon, a spokesman for Volvo Trucks.

The joint venture, which will have its headquarters in Jinan, in Shandong Province, is expected to start production at the end of 1999, Mr. Lorentzon said.

of attempts to keep Thais from hoarding dollars as the baht tumbled.

Many companies are rushing to buy dollars so they can repay debts in other currencies. Finance Minister Tarin Nimmahawinda said recently that some banks and companies had bought dollars from the central bank to speculate against the baht.

(Reuters, Bloomberg)

As Crisis Deepens, Seoul Shop Moves to Lower-End Goods

Bloomberg News

SHINSEGAE has also slashed prices, as much as 40 percent for some merchandise.

Still, with retail sales at the company's six department stores down 20 percent last year and the economy likely to contract this year, Shinsegae is facing bleak prospects.

"We'll try to lower costs and increase productivity to keep up with declining sales," said Byun Jin Soo, a spokesman for Shinsegae Department Store Co., which was founded in 1963.

In a country where a job for life was considered the norm until the past year, rising unemployment and a record number of bankruptcies are forcing retailers such as Shinsegae to take dramatic steps to survive.

Its \$2,000 Zegna suits were replaced with Beample brand casual wear that is produced domestically and sells for less than \$100.

Shinsegae also will eliminate part-time positions and will no longer hire student employees, Mr. Soo said. Those workers account for as much as 20 percent of the company's 3,000-employee staff. At the same time, Shinsegae will cut inventory, seeking to pare the financing costs for merchandise waiting to be sold.

The downturn will also throttle long-term growth, as borrowing costs soar. While Shinsegae plans to open one new full-service department store in 1998, it shelved plans for four more outlets until at least after 2000.

Shinsegae is not alone in trying to lure in customers by offering cheaper wares. Another high-end department chain, Midopa Co., has allocated more space in its stores for low-profit-margin items, such as food and electronics. It is scaling back expensive items, such as clothing and jewelry.

THE MOST
BIZARRE
CARRY
MOBILE PHONES
JOHNSA OLLILA
CARRIES THE
WEIHE
OF NOKIA



SUNDAY, PINNACLE EUROPE, 21.30 CET

+++ JORMA OLLILA +++
The man that rescued Nokia from financial thin ice and made it the 2nd largest telecommunications company in the world. This Sunday Jorma Ollila talks freely about the tough past, fruitful present and his vision for Nokia and that of the telecoms industry.

On Cable and Satellite
(All times listed are CET)

21.00

World News
30 minutes of updated global news coverage including financial headlines, sports, weather and feature highlights.

21.30

Pinnacle Europe

Every Sunday, we meet Europe's top business leaders to find out what drives them, how they run their professional and personal lives and their secrets for success.

In association with
ANDERSEN CONSULTING

22.00
World News

CNN
INTERNATIONAL

U.S. Regulators May Demand Riskier Classification of Loans to Korea

By Steven Pearlstein
Washington Post Service

WASHINGTON — Although the Clinton administration has been quietly urging U.S. banks to extend their loans to South Korea, bank regulators said this week that the banks may have to set aside additional funds to reflect the added risk that the loans may not be repaid.

"As the rollovers occur, we would expect the banks to reassess the risks and take the appropriate reserves," said Susan Phillips, the Federal Reserve Board governor in charge of bank supervision.

The issue of how to classify their Asian loans is a particularly sensitive one for U.S. banks as they try to hammer out a plan with the Seoul government for restructuring \$15 billion to \$20 billion in outstanding loans to South Korea, most of them to Korean banks.

If the U.S. banks are required to reclassify their South Korean loans as riskier, then they may have to take additional charges that could affect their quarterly profit and the price of their stock.

The banks include some of the nation's biggest, such as Citicorp, J. P. Morgan & Co. and Bankers Trust New York Corp. All three declined to comment this week on the question of the classification of their Korean loans.

As part of the plan now under consideration, these and other foreign banks would swap some of their outstanding Korean loans for South Korean government bonds while receiving Seoul government guarantees on the loans they continued to hold. The banks would also agree to extend the terms of the loans in exchange for higher interest rates.

How bank regulators would classify those restructured loans is still unclear. All such discussions between the regulators and bankers are conducted secretly, and published regulations give both the banks and government officials wide discretion in categorizing the riskiness of loans.

But contrary to some recent press reports, top regulators said this week that they had given no blanket assurances that the banks would be able to continue to classify their South Korean bank loans as relatively riskless.

"We have not given them any guidance" on how any restructuring would be handled, said one senior federal bank official.

In particular, Ms. Phillips of the Fed said that if interest rates on the restructured loans were to increase dramatically, that would constitute an "unambiguous signal from the marketplace that the loans were more risky."

Ms. Phillips also said a promise by the South Korean government to guarantee repayment of the loans would not necessarily guarantee that the loans should be treated as low-risk, but would have to be evaluated in the context of the country's overall ability to meet its foreign debts as the crisis in Asia continues to unfold.

"If those economic conditions erode, we would encourage the banks to reassess on an ongoing basis," Ms. Phillips said.

U.S. banks are supervised both by the Fed, which is the lead regulator of state-chartered banks, and the Office of the Comptroller of the Currency, which oversees nationally chartered banks. Comptroller officials declined to comment on the South Korean loan situation.

John Makin, an economist at the American Enterprise Institute who has studied past debt crises, said it would be "the height of hypocrisy" for regulators to allow the banks to treat their restructured South Korean loans as anything but highly risky.

Mr. Makin noted that Treasury Secretary Robert Rubin had publicly chastised Japanese officials for allowing their banks to hide the full extent of their bad loans — a policy that has helped to cripple the Japanese economy. But Mr. Makin fears that U.S. regulators are prepared to do the same thing here out of excess concern for restoring faith in the global banking system.

To a degree, the disagreement about how to classify the Korean loans reflects a deeper dispute about the extent of South Korea's problems.

Mr. Rubin and other Treasury officials believe that the South Korean economy is basically sound and that what it suffers from now is a temporary shortage of foreign capital caused by the sudden — and irrational — decision by foreign investors and lenders to pull their money

out of the country. That panic has temporarily left South Korean banks unable to repay their foreign loans.

But Mr. Makin and other economists argue that years of mismanagement of the economy have left South Korea with too many businesses that are fundamentally not viable and unable to repay their loans to South Korea as well as foreign banks.

Rather than being a short-term liquidity crisis, he says, South Korea is now experiencing a widespread credit crisis that will not go away until investors and lenders acknowledge their past mistakes and take their losses.

One complicating factor in this case is that if U.S. banks were to write off any portion of their South Korean loans, they would put pressure on Japanese banks — which have much greater exposure in Korea — to do the same. And because Japanese banks are already in such a precarious situation, that could worsen the financial problems in a far larger economy, one with far more complex interrelationships with the U.S. economy.

Suharto Faces Rising Calls to Resign Amid Signs of Panic

By Keith B. Richburg
Washington Post Service

HONG KONG — The political and economic uncertainty in Indonesia brought more panic-buying Friday in Jakarta's stores, and new calls for President Suharto to resign.

Jakarta, the Indonesian capital, was reported calm despite early runs on stores by thousands of jittery residents trying to stock up on rice, milk and cooking oil.

Indonesian television on Friday showed footage of warehouses stocked with rice and supplies in an effort to stave off panic and stem the crisis-buying, but the effort did not appear to have worked, with people lining up even before the stores opened in the morning.

Meanwhile, the country's powerful armed forces were placed on a low-level state of alert to deal with any possible civil unrest.

Residents said they saw increased military patrols on the capital's streets Friday, but few other signs of the heightened state of readiness.

The mood on the streets was reported to be less panicked than Thursday, when the currency, the rupiah, took a dramatic plunge to 10,000 to the dollar, prompting a spate of rumors about Mr. Suharto's health and a possible army coup. On Friday, the currency rebounded to a close of 8,150, reflecting what analysts said was a brief spell of short-term relief that the IMF was still willing to negotiate with Indonesia to rescue a \$43 billion bailout package that is in danger of falling apart.

Even as the crisis atmosphere in Jakarta abated somewhat, the country remains in the grips of political uncertainty, with renewed questions about the health and vigor of the 76-year-old president, and bold new public demands for him to step aside.

The English-language Jakarta Post on Friday ran an unusual front-page article quoting a former cabinet minister and a political scientist both calling for a change in leadership, with the latter musing no words in calling on Mr. Suharto to resign.

"We need a president who is in good health," said the political scientist, Arbi Sanit. "Because we are facing a serious economic problem, the new president must have a good reputation and credibility, be well-experienced in the government system, be widely supported by the people and capable of mending the country's political and economic systems."

The quotes in the widely influential paper Friday follow similar calls for the president to step down from retired generals, politicians and a Muslim cleric. Such open dissent is highly unusual in what has long been an authoritarian, tightly controlled society, and is being taken by analysts as yet another sign that after more than 30 years in power — and facing the prospect of another five-year term beginning in March — Mr. Suharto's once unquestioned grip on power may finally be unraveling.

Mr. Suharto has not said whether he would seek a new term, but until now had been widely expected to do so. One problem, say longtime Indonesia watchers, is that over 30 years in power, Mr. Suharto has never groomed a successor, and if he does abruptly quit, the most likely scenario would be a direct military takeover.

Under the Indonesian Constitution, the vice president would take over if Mr. Suharto were to die or resign before the end of his term. But the current vice president, Try Sutrisno, is not considered a forceful leader.

The commander of the armed forces, Feisal Tanjung, has pledged support for the government and vowed to deal with any unrest in the lead-up to the National Assembly vote in March that will re-appoint Mr. Suharto. But Jakarta has been ripe with speculation that the price for the army's support is the right to place a top army man as Mr. Suharto's vice president and presumed successor.

The worst-case scenario, say analysts, would be for the president to become ill or incapacitated while in office, meaning that only his close family members — most with their own business interests surviving on government largesse — would have access to him.

The family members would then have the freedom to act according to supposed edicts or directions from the president.



A shopper in a Jakarta supermarket standing before empty shelves Friday, as panic-buying swept the capital.

ASIA: Clinton and IMF Bring Relief to Jakarta, but Dow Plunges

Continued from Page 1

officials to ensure adequate supplies of rice and other staples. The military said the situation was under control and warned that it would take "repressive" measures against anyone attempting to create disturbances.

Analysts said that a strengthening of confidence in the battered Indonesian currency and economy depended on the Suharto government convincing separate teams of senior U.S. and IMF officials, who will arrive in Indonesia early next week, that Jakarta is prepared to take tougher economic measures than those outlined Tuesday in the country's annual budget for 1998-99.

Provided those talks reach a satisfactory conclusion, some economists and bankers said they expected U.S. monetary authorities and the IMF to help convince American, European and Japanese banks to roll over billions of dollars in short-term debt owed by Indonesian companies.

The companies cannot repay the money because, even after Friday's partial rebound in Asia, the rupiah was still worth about 65 percent less against the dollar than when the East Asian currency collapse began in July.

Analysts said that Thailand was also likely to get a similar debt-management deal to the one proposed for Indonesia, which would convert short-term private sector debt into long-term loans to give the region's most troubled economies a better chance to recover.

The United States and the IMF recently brokered the first stage of such an agreement for heavily indebted South Korea after telling foreign banks that new loans from international financial institutions and governments to forestall a default would not be forthcoming unless they agreed to the rollover.

Ajay Kapur, regional strategist in the Hong Kong office of UBS Securities Pte Ltd., a unit of the Union Bank of Switzerland financial services group, said that the implication of the high-level U.S. and IMF intervention in the Southeast Asian financial crisis on Friday was that "Indonesia and Thailand both need a Korea-type solution."

The rescue loans totaling nearly \$130 billion arranged for Indonesia, Thailand and South Korea by the IMF since August can be used to buttress depleted foreign exchange reserves, but not to bail out the private sector, which is responsible for most of the foreign debts of the three countries.

The IMF's first deputy managing director, Stanley Fischer, who is due in Jakarta on Sunday ahead of the fund's managing director, Michel Camdessus, on Wednesday, said that he now considers Indonesia's economy "more worrisome" than South Korea's.

According to official figures, Indonesia's debt amounts to \$133 billion. About 65 percent is owed by the private sector and most is due to be repaid this year.

The precipitous fall in the value of the rupiah in recent days sparked concerns in the United States and elsewhere about an Indonesian debt default that could spread to Thailand, hurt the fragile Japanese banking system and unravel the just-concluded agreement by international bankers to rollover the most immediate of South Korea's short-term debts for 90 days.

If your credit is squeezed on one side, you are not going to roll over the

debt for another country," a European banker told Agence France-Presse, referring to a possible Indonesian default. "So, you can imagine what will happen to South Korea and Thailand."

State Secretary Mardiono of Indonesia said that during the telephone conversation with Mr. Clinton, Mr. Suharto had given an assurance that he was "determined to implement seriously our program, which has been supported by the IMF."

This was seen as a significant shift by Mr. Suharto after he presented an expansionary budget on Tuesday that failed to conform with a number of the key reform and austerity measures required by the IMF as a condition of the \$40 billion loan package to Indonesia.

The measures included deep cuts in government spending, tight monetary policy and a systematic cleanup of the Indonesian banking sector.

In an apparent gesture of sincerity, the Indonesian military said on Friday that to save the government money, it planned to delay the purchase of 12 Russian Su-30K fighters, estimated to be worth more than \$400 million.

Jakarta decided to buy the Russian planes in August after it canceled a deal to buy nine U.S. F-16 jets following criticism in the U.S. Congress of Indonesia's human rights record.

In Washington, a senior administration official, who asked not to be identified, said that Mr. Clinton had spoken to Mr. Suharto, 76, has not said whether he will run for a seventh five-year term, but he is widely expected to do so despite his age, doubts about his health, and increasing calls from critics for him to make way for a younger successor.

Mr. Clinton and the IMF bring relief to Jakarta, but Dow plunges

Continued from Page 1

expected to arrive early next week.

Mr. Summers is to leave Washington on Saturday, and is expected to reinforce the message already delivered by President Bill Clinton, who telephoned Mr. Suharto on Thursday to express U.S. willingness to expand its financial assistance to Indonesia, provided the government there took immediate action.

Top U.S. and European financial officials, along with IMF and World Bank executives, have been holding round-the-clock consultations over the past 48 hours.

They are in agreement that if the Indonesian crisis is to be resolved, Mr. Suharto must accept the need to put the IMF's program into effect, while also providing a clear signal that he has chosen a designated successor.

This could be achieved, the officials say, if Mr. Suharto were to name a vice-presidential running mate before the

fixed-income department at Lehman Brothers in Hong Kong, promising to help create a local bond market, a move Andrea Lee, the head of Peregrine's fixed-income unit, called "Business for Asia to finance Asia."

In little more than two years, the bond sales unit's staff of fewer than 20 grew to more than 200.

Flashy cars and giant payrolls aside, the fixed-income business proved costly this year, because Peregrine specialized in local-currency bonds. As currencies such as the Indonesian rupiah have lost more than half their value in the last year, the value of bonds denominated in rupiah and sitting in Peregrine's inventory plunged.

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fixed-income department at Lehman Brothers in Hong Kong, promising to help create a local bond market, a move Andrea Lee, the head of Peregrine's fixed-income unit, called "Business for Asia to finance Asia."

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TALKS: Who Is Regulating the World?

Continued from Page 9

another country that they represent a barrier to imports, according to trade experts. There are few legal precedents.

More and more standards are likely to be set in such global forums.

The same week as the Geneva meeting,

70 corporate leaders from the United States and Europe gathered at the Excelsior Hotel in Rome. They drafted plans for streamlined government regulation of many industries, like chemicals and agribusiness, and acted at the behest of their respective governments. The group, the Trans-Atlantic Business Dialogue, was conceived in December 1994 by Commerce Secretary Ron Brown. In November 1995, six months before his death in a plane crash, Mr. Brown attended the group's first meeting in Spain.

"We should put the business 'horse' before the government 'cart,'" he told the group. The business leaders recommended that their governments create common regulations, a plan adopted by Mr. Clinton and European leaders at the end of 1995. The industrialists also called for common auto safety regulations through a United Nations committee — the same committee that met last November in Geneva.

But the emphasis on business first bothers negotiators like Ricardo Martinez, the U.S. auto safety czar, who was at both the Geneva and Rome meetings. Mr. Martinez, the head of the National Highway Traffic Safety Administration in Washington, thinks global regulation can be helpful to both industry and consumers. But he is concerned that the Trans-Atlantic Business Dialogue and U.S. automakers put too much emphasis on knocking down trade barriers rather than raising safety standards.

"I have great concerns that the perspective is not broad enough to respect the real issues of safety and health," Mr. Martinez said in a recent interview in Rome. "The dialogue so far has been very much one-way."

Mr. Martinez, 42, took office in 1994 with an unusual background for a regulator. Before he joined the National Highway Traffic Safety Administration, he was an emergency-care physician who attended to the victims of motor vehicle accidents, the leading cause of death for Americans under the age of 44.

From the outset, Mr. Martinez had concerns about a lack of openness. In April 1996, he attended an industry conference in Washington where auto executives asked governments in Europe and the United States to follow their detailed road map to common international regulations.

That conference was not open to the public, either. Mr. Martinez, who was invited to attend, told the group he was sympathetic to their goals, provided there was no degradation of safety and public involvement.

Over the next few months National Highway Traffic Safety Administration officials and auto executives listened to consumer and safety advocates. The agency held a public hearing, but by then an agreement for Geneva was already drafted.

Safety advocates, used to playing a significant role in federal rule-making, complained of being left out of the early planning.

"Only when the train was well down the track were the groups brought into the process, after there had been closed-door discussions between governments and autoakers and the momentum toward an international agreement was clearly established," said Mr. Snyder, a safety advocate who works with a group of American insurers. By contrast, consumer groups and ordinary Americans weigh in loudly on a variety of safety issues in the United States, both at public hearings and through the public comment period that are mandated before any new regulation is approved.

Mr. Snyder cites the recent dispute over air bag safety for children as a vivid example of the critical role advocacy groups play in shaping regulations.

In response, the carmakers say that

promotion of trade by governments can improve, not lower, safety standards. "International trade is significant to the nation, it can advance safety by creating more opportunities" for countries to create a "best practice," said Vann Wilber of the American Automobile Manufacturers Association.

It is not easy to combine European and U.S. standards: Europe has higher standards in some areas and lower in others. American carmakers certify their own products, while governments perform that job in Europe. European regulators say the United States is asking for too much control over the process.

They complain that Washington, while pushing for more openness, is leading a charge to intimately involve Detroit in the process. French officials "don't accept that business can sit down and set policy," a regulator said.

Mr. Martinez flew to Geneva last November carrying Washington's "draft agreement concerning the establishment of global technical regulations for vehicles, engines and components," which called for the achievement of "high levels of safety" as well as the reduction of "technical barriers to international trade." It had been revised to address some, but not all, of the concerns of safety advocates.

For some, its twin goals of safety and trade can conflict. Mr. Snyder, the insurance lawyer, criticized the agreement for not calling for the "highest attainable levels of safety," a point Mr. Martinez called "constructive."

THE MONEY REPORT

The Dogs of the Dow Gimmick May Indeed Be an Investor's Best Friend

WITHOUT A DOUBT, the single most popular stock-picking gimmick in the world is the strategy called the Dow 10, or Dogs of the Dow. "Gimmick" sounds like a derisive word, but I have a lot of respect for the Dow 10. First of all, it works. Second, and more important, it offers one of the few easy ways to become a disciplined investor.

The system is simple. Scan the list of the 30 stocks that comprise the Dow Jones industrial average and find the 10 that have the highest dividend yields. Invest equal amounts in those 10 stocks. Then at the end of 12 months, sell the stocks and repeat the process.

The list changes constantly. As of Jan. 8, the stocks were J.P. Morgan & Co., Philip Morris Cos., General Motors Corp., Chevron Corp., Eastman Kodak Co., Exxon Corp., Minnesota Mining & Manufacturing, Inc., International Paper Co., E.I. du Pont de Nemours & Co., and Caterpillar Inc.

It does not matter when you start, as long as you look in the portfolio for a

full year. Or, easier yet, call your broker and buy one of the unit investment trusts that uses the Dow 10 strategy.

How good is the system? Very good. In his new book, "How to Retire Rich," the money manager James O'Shaughnessy writes, "Over the last 15 years, this simple strategy has beaten 95 percent of all traditionally managed mutual funds. When you look at longer periods of time, it's done even better."

Mr. O'Shaughnessy tested the results of the Dow 10 back to 1952 and found they produced an average annual return of 17.0 percent, compared with 13.8 percent for the Standard & Poor's 500-stock index. If you had put \$1,000 into the Dow 10 in 1952, you would have \$810,000, compared with just \$230,000 million with the S&P.

In the past seven years, the Dow 10 has returned 24.8 percent, compared with 21.4 percent for the full Dow 30 and 20.5 percent for the S&P. In fact, the Dow 10 has beaten the full Dow in 20 of the past 27 years. The system

whipped both the Dow 30 and the S&P

in every year from 1991 to 1996. (In 1997, however, the string was broken.) It is no wonder, then, that the assets of one of the unit trusts that invests in the Dow 10 have soared from \$56 million in 1991 to \$14 billion last month.

Most systems are bunk, but the Dow

reinvest most of their profits rather than passing them out to shareholders. Others will be Dogs just about every year, notably the two oil companies (Exxon and Chevron) and the one bank (J.P. Morgan) since they are in industries that usually offer high payouts.

But the Dow 10 system works despite this skewing. One reason for its success is that high-dividend Dow stocks are less volatile than the rest of the market — there is less risk that they will plummet, because their prices are not in the stratosphere and because the dividends cushion the fall.

The Dow 10 has lost money in only two of past 27 years, and in both cases the declines were small, 3 percent and 7 percent. By contrast, the Dow 30 lost money four times in three times in double digits. In 1973 and 1974, the S&P fell a total of 37 percent, but the Dow 10 gained 5 percent.

Last year was typical. All 10 of the Dogs of the Dow produced positive returns, but five of the 20 remaining Dow stocks suffered losses. Less up-

JAMES GLASSMAN ON INVESTING

10 has, at its heart, a stout principle: it is a method for finding bargains among solid companies.

A stock's yield is merely its expected dividend payments for the year ahead in dollars divided by its price. Dividends are a good measure of long-term profits, and price, of course, is the best measure of the market's enthusiasm for a stock. If the market is sour on a company, but profits remain good, then yield will be high.

But beware. Simply buying any stock that has a high dividend yield can be a mistake. In his book "What Works on Wall Street," Mr. O'Shaughnessy tested the proposition with a universe

cases. Their low prices may be fully justified, and their indicated yields may be fictional since they are about to lower or suspend their dividends.

But Dow companies, selected for the index in part because of their size, soundness and longevity, are rarely in danger of collapse. So high yields are more likely to be a sign of a bargain price rather than an imminent encounter with bankruptcy court.

Of course, different companies have different dividend policies. Some Dow stocks, such as Walt Disney Co. and Wal-Mart Stores Inc., which traditionally have yields below 1 percent, will never be on the Dogs list because they

side and less downside; that is a trade-off that makes sense in a market that appears as overvalued as this one.

Funds that invest using the Dogs of the Dow principles:

• DEFINED ASSET FUND SELECT TEN PORTFOLIO is a unit trust based at Peter-Victor, St. John's South Barony, Prudential and Morgan Stanley Dean Witter.

• HENNESSY BALANCED FUND call 1 415 899 1555, or toll-free in the United States, 1 800 941 1554, or visit the Web site at www.eastlink.com/dogs-of-the-dow. The fund includes Dow 10 plus 20 similar stocks.

• O'SHAUGHNESSY DOGS OF THE MARKET FUND, managed by Mr. O'Shaughnessy himself, 1 203 847 7148, or toll-free in the United States, 1 800 791 9440, or visit the company's Web site at www.o-shaughnessy.com. The fund includes Dow 10 plus 20 similar stocks.

• PAYDEN & RYGEL European Growth & Income Fund, call 1 213 625 1993, or toll-free in the United States 1 800 572 0346, or visit the company's Web site at www.pry.com. Payden & Rygel currently accept only U.S. citizens as shareholders for its funds.

• VAN KAMPEN AMERICAN CAPITAL offers its trust fund upon the dogs strategy by British, Hong Kong and U.S. managers. The fund is available in Hong Kong and U.S. stocks are sold only through investment advisers to investors in the United States and its territories. For more information call, toll-free 1 800 225 2222 or visit the company's Web site at www.van-kampen.com.

THE MUTLEY FUND, call 1 800 266 4444 for more information on Dogs of the Dow strategies. THE MONEY REPORT will have information next week on international Dogs strategies.

Big Names at the Top: The Risks and Rewards of Betting on Charisma

By Digby Larner

PERSONALITY counts a great deal in business. Chief executives such as Microsoft Corp.'s Bill Gates, Virgin Group's Richard Branson and George Soros of Quantum Fund Management LLC are arguably as well known as the corporations they represent.

Investors are well aware of the value of having media-savvy tycoons heading the corporations into which they buy. When Time magazine named the 10 most powerful people in the United States last year, the list included seven corporate chief executives. Mr. Gates was second — just behind the U.S. president, Bill Clinton. Rupert Murdoch of News Corp., Michael Eisner of Walt Disney Co. and Andrew Grove of Intel Corp. were also included.

Katherine Garrett-Cox, U.S. fund manager with Hill Samuel Asset Management in London, said analysts consider quality of management to be the biggest factor in making investment choices.

"Well-known and charismatic managers clearly add a premium to their company's share price," she said. "If you buy into shares such as Berkshire Hathaway, Microsoft and Intel, it's because you know who their CEOs are and you expect their businesses to outperform the average. You have to back good managers."

Investors who believe in tracking indexes would do better to place their faith in famous managers, she added.

Figures seem to bear this out. In the last five years, the value of the Dow Jones industrial average increased 238 percent. Many respected portfolio managers will have underperformed this figure — according to some analysts the failure rate is as high as 70 percent.



George Soros: An executive as famous as his fund.



Richard Branson: Creator of Virgin's rebel image.



Andrew Grove: Intel's chief, adds premium to shares.



Michael Eisner: From Disney, a record-setting payday.



Bill Gates: The star upon whom Microsoft has risen.

recently valued by directors to be offered strong incentives to stay put, Ms. Garrett-Cox said.

In just such a deal, Walt Disney Co.'s Mr. Eisner enjoyed history's biggest corporate payday in December. Using stock options he had gained in 12 years as Disney's chief, he banked \$565 million. In 1992, he cashed in \$202 million worth of stock options and still has about \$8.7 million shares worth of options.

Unlike many other well-known managers, however, the premium that Mr. Eisner's presence has added to the Disney share price is relatively low. Over the last five years, its value has climbed 265 percent, a comparatively meager 27 percentage points higher than the Dow Jones industrial average.

Outside the United States and Britain, there are fewer high-profile managers. Hugh Young, an Asian fund manager with Aberdeen Asset Management Asia in Singapore, said Asian corporate culture tended to play down the role of individuals. Even so, he said exceptions included Ong Beng Seng of Singapore's Hotel Property Ltd. and Gordon Wu, chairman of Hopewell Holdings Ltd. in Hong Kong.

"Clearly, one of the biggest problems in this part of the world is that markets are falling dramatically," he said. "It would take more than good management to buck the trend."

But he said Asian executives tended not to add a long-term premium to share prices, even in good times. "It's all about investor perception," he said.

"With Gordon Wu, for example, people believed he could deliver everything he promised. He made a couple of wrong moves, saddled himself with a little too much debt, and investors deserted."

Hopewell's shares, which traded as high as \$3.30 Hong Kong dollars (68 cents) last year, now change hands at 1.45 dollars.

Bad News May Limit Defensive Plays

Continued from Page 15

are due to poor brand-management. "There is nothing fundamentally wrong with the Laura Ashley brand," Mr. Davis said. "However, when the management team decided to expand into the United States, they overestimated the strength and power of the brand in America. The company is still recovering from the mistakes made there by senior managers."

The German fashion house Escada has also experienced brand-management problems outside its local market. Concerned by falling sales figures and unhappy with the way Lane Crawford, a leading department store in Hong Kong, was managing the Escada brand, the fashion house decided to appoint another retail outlet to take over product sales.

"Lane Crawford has been having problems for years," said one Hong Kong-based consumer goods analyst. "It is widely perceived to have an antiquated management structure and its reputation is not as good as it once was. The principles at Escada were primarily concerned that the brand was being damaged by association."

Simon Davies, an investment adviser with Berry Asset Management in London, said it was "becoming increasingly difficult, though not impossible, to gauge the effects of adverse publicity and poor brand-management on the overall performance of large corporations."

"A common mistake is to assume that a strong brand identity will protect a company from bad news and difficulties in the market," he added. "While strong brand-loyalty will enable many

companies to survive minor crises, if the business is basically flawed, household recognition will not enable the company to grow and remain profitable."

He suggested that investors might find it easier to analyze a company if they strip away the brand name and address the following questions:

• Is the company operating in a growing market?

• What is the competition?

• How will the company increase its profits?

• What is the management strategy?

• Does the company always pay dividends? Is there a policy to maintain dividend payments?

• If the company is hit by bad news or weakening brand-loyalty, can the management team reposition the brand or brands under its umbrella?

GARY DAVIS has written a report, "What Price Reputation?" published by Haymarket Management Reports (4545). Call 441 413 4413 for further information.

Continued from Page 15

brands and to keep up with changing tastes. Anyone who decided to buy shares in Reebok International Ltd. instead of Nike Inc. 10 years ago, when there was little to separate the two brands, understands this. Nike's marketing geniuses gambled that the public would accept sneakers as fashion statements and have been rewarded many times over, leaving Reebok and the rest to try weakly to catch up.

Competition and the marketing war are taking their toll on the sporting-goods business, where share prices have drastically underperformed broad markets over the last year.

"The industry, particularly in Europe, will have to consolidate," analysts at Morgan Stanley, Dean Witter, Discover & Co. said in a research report.

"While global demand is likely to remain relatively firm, costs are rising rapidly," they added. "The major players are spending more on development, as well as on advertising and promotion. Participants will have to search for ways to survive and prosper. One way is to combine to get a bigger bang for their research and promotional buck."

Morgan Stanley has buy ratings on Skis Rossignol SA of France and the German sneaker company Adidas AG.

That explains why Levi Strauss seems to win indefinitely. It makes jeans and little else and uses clever advertising campaigns to keep reminding people to buy another pair. "You've got to spot those brands that are on hopefully a very long life-cycle, like Levi's jeans, and those that are on a short but happy life-cycle," Mr. Newberg said.

Examples of the latter are theme-restaurant chains, such as Planet Hollywood, that are only momentarily hot with diners and investors.

"I suppose there is some financial analysis that says where these people are on that life-cycle and where I jump on and off, but it may be too late already," once the stocks start trading, he said.

"You never know about it on the ground floor," he added, "only when you're a few stories up and the only way to go is down."

These mutual funds specialize in companies that have strong consumer brands:

• BBL INVEST FOOD & BEVERAGES, a Luxembourg-based fund managed by Banque Bruxelles Lambert, Belgian telephone: 32 347 2111.

• BANQUE GENERALE CONSUMER GOODS, Belgian telephone: 32 563 1313.

• BMO GLOBAL BEVERAGE, Netherlands Antilles, telephone: 599 973 2222.

• PATRIMONIO CONSUMER, Brazil, telephone: 5511 3039 1800.

BRIEFCASE**The Mathematics Of High Fund Fees**

American mutual funds are using funny math to justify their cost increases, from 0.57 percent to 1.41 percent, from 1.28 percent 10 years ago.

Where are the ever-elusive economies of scale that were to allow fund sponsors to trim costs as their funds grew?

Especially now, when so many funds trail the Standard & Poor's 500-stock index in performance, fund sponsors should be embarrassed to continually raise costs. Because they cut returns, higher expenses hurt a fund's performance.

"Unfortunately, the industry is seeing the 1 percent expense ratio as a floor now, not as a ceiling," Mr. Phillips said. "At some point, investors are going to ask whether the costs are worth the service."

(NYT)

that have raised their expenses has ranged from 46 percent to 77 percent a year.

All those increases have lifted the average expense ratio on diversified equity funds to 1.41 percent, from 1.28 percent 10 years ago.

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(NYT)

As many as a dozen firms

could be listed in the United States, said Ross Kaufman, a lawyer with the New York law firm of Greenberg Traurig Hoffman Lipoff Rosen & Quentel, which has assisted Brazilian companies in preparing listings.

The New York Stock Exchange now lists only seven companies from America's largest country, ranging from Telecommunications Brasil (known as Telebras) to Companhia Cervejaria Brahma SA, a major brewery. Among the likely new arrivals are Companhia Vale do Rio Doce, the mining conglomerate; Light Servicos de Electricidade SA, the electric utility for the state of Rio de Janeiro, and Lightel SA, a private-sector cellular telephone company.

Investors have been frustrated by the slow pace of Brazilian company listings in the United States. Recently, some have suggested that delays are being caused by concerns that Brazil might be forced to devalue its currency, which has been under pressure by spillover from the Asian currency crisis.

But the majority of observers attribute the dearth of U.S. listings to delays in Brazil's privatization program, which has frequently become bogged down in local politics. Referring to the idea of a dozen prospects this year, one New York banker said, "We'd be thrilled

SPORTS

Under Fire, Switzer Quits As Coach of the Cowboys

The Associated Press

IRVING, Texas — Barry Switzer resigned as coach of the Dallas Cowboys on Friday, saying that it was in the football team's best interest to have someone else in charge.

"At this time, I believe a fresh start at this position will give the Cowboys their greatest opportunity to return to the top," Switzer said in a statement.

"I am deeply proud of what our players and coaches have been able to accomplish. A Super Bowl championship and three division titles are a source of great pride for this organization and its fans."

Other than the statement, Switzer did not comment. The National Football League team's owner, Jerry Jones, appearing alone at a news conference, said the decision was "a very difficult and

emotional one for everyone who was involved."

"He had the toughness to walk into a situation that was as great a challenge as any football coach has ever faced in the NFL," Jones said. "Barry Switzer was the right man for the right time."

Switzer went 45-26 in four seasons, winning a Super Bowl in his second season and division titles in his first three.

His final season, however, was a disaster, beginning with his arrest for carrying a gun in an airport followed by a 6-10 record that kept the Cowboys out of the playoffs for the first time in seven years.

Several players made it clear they thought it was time for a change. Quarterback Troy Aikman and fullback Daryl Johnston both have complained openly about the team's lack of discipline.

Jones said he spent most of the last three weeks trying to decide whether a coaching change was needed. Switzer, 61, had long said Jones wouldn't have to fire him; he would resign.

As for a replacement, Jones said: "I will not share with you a time frame I have or a process for selecting the next coach of the Dallas Cowboys."

Candidates are believed to include George Seifert, who left the San Francisco 49ers under strained circumstances a year ago. Others are Terry Donahue, a former UCLA coach; Jon Gruden, offensive coordinator for the Philadelphia Eagles; Butch Davis, the University of Miami coach and a former Cowboy assistant, or perhaps someone from Switzer's staff.

Jones said Switzer would not have another role in the organization, even though he has at least two years left on a contract that pays him \$1 million a year.

"His ledger is square with me," said Jones.

Under Barry Switzer, the Dallas Cowboys fell to 6-10 this season.

It's NFL Money Time

Conference Finals Should Be Close Games

By Mike Freeman
New York Times Service

NFC Championship

Green Bay (14-3) at San Francisco (14-3) — Many of the story lines in this game have to do with how similar these two teams are. Steve Mariucci, the 49ers coach, was the quarterback coach in Green Bay, and Packers coach Mike Holmgren was the offensive coordinator in San Francisco.

The Packers have dominated the 49ers in recent years; Holmgren is 3-0 against the 49ers.

"We all know they have had our number," said Mariucci, who could become only the third rookie head coach in league history to win a Super Bowl. "We need to do something about it this year."

Whether the 49ers can do anything about it depends on their defense. The 49ers have the league's top-ranked defense, but they have not faced a varied, high-powered offense like that of the Packers.

Brett Favre, who shares the NFL Most Valuable Player award this year with Detroit's Barry Sanders, led the league with 35 touchdown passes and became the first quarterback to have

AFC Championship

Denver (14-4) at Pittsburgh (12-5) — The Broncos have won 4-of-5 conference title games. Pittsburgh is making it conference-high 10th title-game appearance. Pressure means little to either of these clubs.

This is one of those games during which the coaches will earn their paychecks. The Broncos played at Three Rivers Stadium earlier this season and jumped to 21-7 lead. Then Steelers quarterback Kordell Stewart exploded, accounting for five touchdowns: three passing and two rushing. The Broncos seemed to lose their composure and imploded.

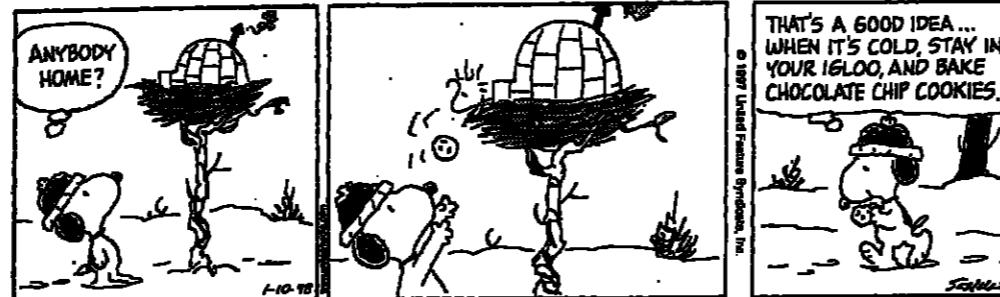
The edge in coaching here must go to Shanahan, one of the best tacticians in the game. He'll find what it takes to make sure the Broncos play the entire game this time around.

But that won't be enough. It's time to admit that the Steelers, despite their faults, just seem to find ways to win. Prediction: Steelers, 20-17.

DENNIS THE MENACE



PEANUTS



GARFIELD



BEETLE BAILEY

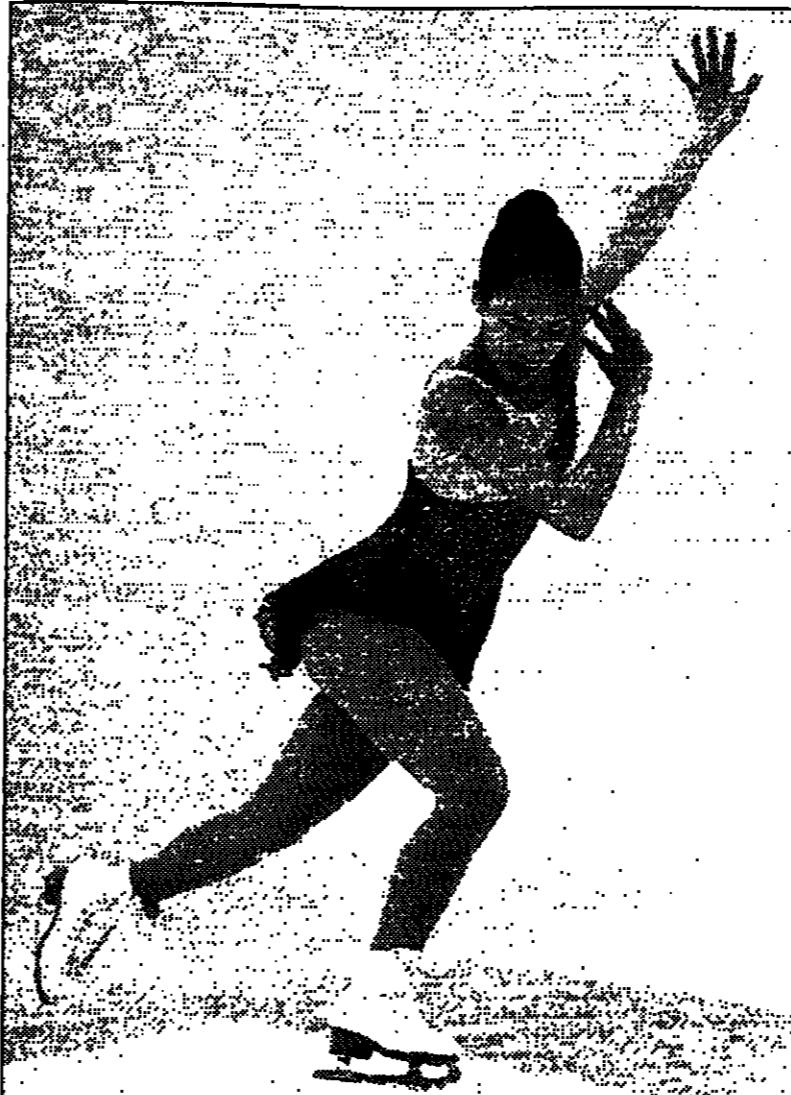


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Courtesy/The Associated Press

Michelle Kwan performing at the Philadelphia figure skating competition.

Malone Cruises by Havlicek To Reach 8th on Scoring List

The Associated Press

Karl Malone sizzled and Shawn Kemp fizzled.

Malone scored 39 points and passed John Havlicek on the NBA's career scoring list as the Utah Jazz beat the Milwaukee Bucks, 116-109, on Thursday night. "Karl is like nobody else," said a teammate, Jeff Hornacek. "He does things that nobody else can do."

Malone, whose 500 consecutive starts are tops among active players, was

NBA ROUNDUP

13-for-16 from the field and 13-for-15 from the foul line. His free throw 204 into the game gave him 26,396 career points, passing Havlicek for eighth place on the career list.

"Records aren't something that just happen," Malone said. "You've got to plan and prepare your whole career. Then good things happen."

Malone's strong play against visiting Milwaukee was no surprise. He averaged 34.5 points in the teams' two meetings last season, and he scored a career-high 61 points against the Bucks in 1990.

Hornacek added 20 points for the Jazz, including 15 in the second quarter, and John Stockton had 13 assists.

Sonics 108, Cavaliers 84 Bad things happened to Shawn Kemp in his first game against Seattle since the SuperSonics traded him to Cleveland last summer.

Vin Baker, who went from Milwaukee to Seattle in that three-team deal, dominated Kemp, scoring 25 points and holding Kemp to nine, including 2-for-11 shooting from the field. "This was

probably the worst night of my nine years," in the NBA, said Kemp, who demanded to be traded last season because of a contract dispute.

The visiting Sonics improved their NBA-best record to 28-6 with their seventh straight victory. Seattle's Gary Payton scored 25 points on 9-for-12 shooting and held the standout rookie Brevin Knight to four points and five assists.

Wesley Person scored 15 points for the Cavs, who lost their seventh straight to Seattle.

Notas 88, Magic 87 In East Rutherford, New Jersey, Kerry Kittles had a season-high 27 points and a career-high 12 rebounds as the Nets snapped a two-game losing streak. Keith Van Horn added 19 points and Jayson Williams grabbed 15 rebounds for New Jersey.

Rony Seikaly had 25 points and 12 rebounds for the injury-riddled Magic, who came up short for the 10th time in 12 games.

Kings 103, Mavericks 82 Orlen Polynice set season-highs with 26 points and 16 rebounds as Sacramento extended its winning streak to four games with a victory at Dallas. Dennis Scott scored 23 points and Samaki Walker matched a career-high 20 with the Kings.

Pacers 87, Rockets 80 In Houston, Jalen Rose scored 18 points as Indiana beat the injury-plagued Rockets. It was the Pacers' 11th triumph in 14 games.

Houston played without its injured stars Hakeem Olajuwon, Charles Barkley and Clyde Drexler. Eddie Johnson also wasn't available because of an injured right elbow, leaving the Rockets with only nine players.

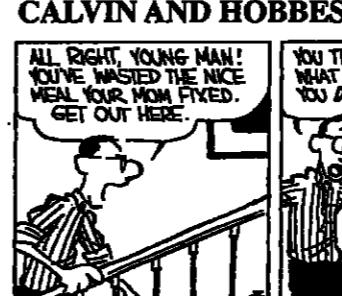
Twice in the past two days, Kwan had fallen while rehearsing the triple flip. Thursday, her thoughts seemed to linger in indecision before the jump. Later, she confessed that her left foot felt encumbering and that she almost attempted the triple toe except that her coach, Frank Carroll, would "kill me." So, she stuck with the flip, which she landed with precision and relief.

"I've had it since I was 11," Kwan said. "Why not do it now when it counts."

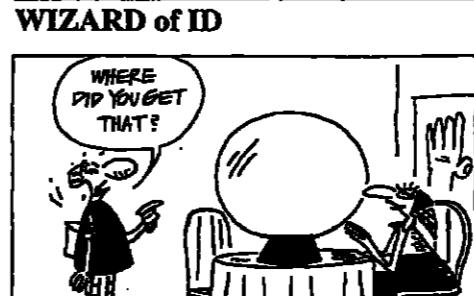
A resurgent, theatrical Nicole Bobek finished second and a stoic Tonia Kwiatkowska took third. Even Kwiatkowska found herself clapping for Kwan's first-place skate, one that came after weeks of speculation about her injury and her uncertain confidence. Kwan missed three weeks of training in November, and as late as Christmas she wondered whether she could compete effectively here.

"I thought it was one of her best moments, not so much for what she did, but the way she did it," said Carroll, who coaches Kwan in Lake Arrowhead, California. "She had a wonderful look

CALVIN AND HOBBES



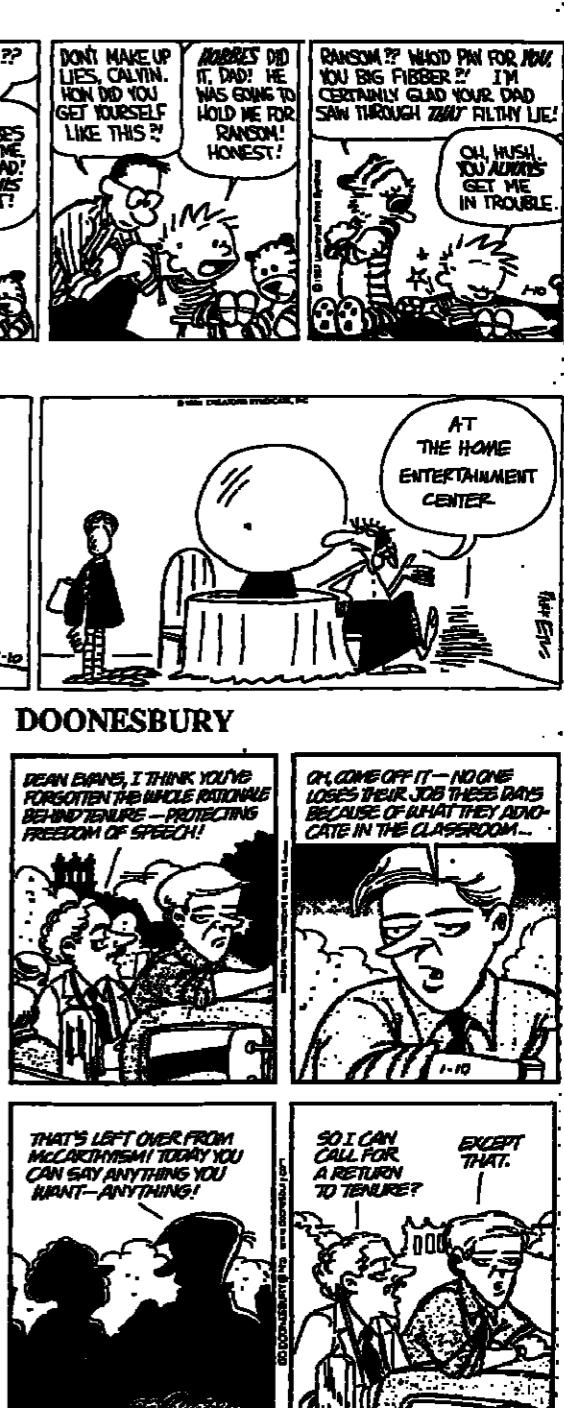
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DOONESBURY



U.S. Skater Lines Up 6's

Kwan Is 'Perfect' as Lipinski Tumbles

By Jere Longman
New York Times Service

PHILADELPHIA — After a fitful night of tossing and turning, Michelle Kwan slept through her early-morning training session. The spark of her absence kindled a bout of speculation.

Had she withdrawn from the Olympic trials with a toe injury? No, she had not. Not only did Kwan later skate the short program Thursday, but seven of the nine judges also rated her presentation as perfect.

While the defending champion, 15-year-old Tara Lipinski, fell on a triple flip and tumbled sobbingly to fourth place, Kwan delivered a refined, joyful, liberating performance that was judged as the greatest by a woman in the short program at the national championships, which serve as the Olympic trials.

No American woman had ever received one perfect mark of 6, much less seven of them, in this part of the program at the nationals.

Kwan's scores were surpassed only by the eight 6's that Brian Boitano received for his short program presentation at the 1988 trials.

Only the winner here is guaranteed to receive one of three American berths in the Winter Olympics next month at Nagano, Japan. The other two skaters will be determined by their performances over the past two years. As the 1997 world champion, Lipinski is virtually certain to be chosen, which could cause a controversy should she finish fourth or lower.

For Kwan, all the uncertainty of the past two months evaporated in the two-and-a-half minutes of her short program. She was the 1996 world champion but had not competed since early November because of a stress fracture in the second toe of her left foot.

"At the end, I said, 'Now I can enjoy this moment, now I can breathe,'" said Kwan, 17. "When I heard the 6's, I said, 'Am I hearing this right?'"

After a controlled, almost cautious, beginning to her program, Kwan appeared to gain restorative confidence as an athlete and an artist with her feathered jumps, elegant spirals, balletic grace and fierce determination. She skated to a Rachmaninoff piano concerto that helped build a churning tension as she approached the triple flip. The jump replaced a triple toe loop that causes stabbing pain when she plants her left toe.

Twice in the past two days, Kwan had fallen while rehearsing the triple flip. Thursday, her thoughts seemed to linger in indecision before the jump. Later, she confessed that her left foot felt encumbering and that she almost attempted the triple toe except that her coach, Frank Carroll, would "kill me." So, she stuck with the flip, which she landed with precision and relief.

"I skated well," he said. "It's the first time I tried the quad. I had it on one foot; it was that close but I just fell. I'm happy to get a fifth title."

While all his top competitors for an Olympic gold medal — Elvis Stojko of Canada and Ilya Kulik and Aleksandr Yagudin of Russia — have landed a quad in competition, the conservative Eldredge had preferred to rely on his completeness and consistency. No American has landed a quad.

Kurt Browning of Canada was the first skater to land a quadruple jump, which requires four revolutions in the air. He first performed the jump at the 1988 world championships. A decade later, it could be a determining factor next month at the Winter Olympics.

The fifth national title put Eldredge one ahead of both Brian Boitano and Scott Hamilton.

of ease on her face and confidence, a performing aura rather than just a technical aura. When you are under a lot of pressure, to make it come out with great ease is difficult to do."

Lipinski, who last year became the youngest world champion ever at age 14, was perhaps bothered by the pressure of defending her national title. She let her open spin wander, landed a flawed lutz on her combination jump then made a rare fall on the triple flip. She rushed the jump, did not attain sufficient height and crumpled to the ice.

Later, Lipinski began crying. Her coach, Richard Callaghan, called the mistake "drastic" because it came in such an important competition. Had this been the Olympics, the fall would most likely have cost her any chance at a gold medal.

Thursday's short program, which consisted of eight required elements involving spins, jumps, footwork and spirals, counted for one-third of the program at the nationals.

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Eldredge Fails To Land Quad

New York Times Service

PHILADELPHIA — After being asked repeatedly why he had never attempted a quadruple jump in competition, Todd Eldredge launched one during his long program at the Olympic trials here. He fell hard on the quad toe, but he did not tumble out of first place as he won his fifth national title.

Eldredge, 26, the 1996 world champion, completed the four necessary revolutions on the toe loop on Thursday night, but he landed with an awkward lean and dropped to the ice early in his four-and-a-half-minute routine. He is a thoroughbred, though, not a one-trick pony.

After reducing a second triple axel to two revolutions, Eldredge attempted the triple axel again and landed it flawlessly. The attempted quad appeared to sap him of some of his energy, but Eldredge still completed six triples overall and displayed his familiarly brilliant spins to take first place.

"I skated well," he said. "It's the first time I tried the quad. I had it on one foot; it was that close but I just fell. I'm happy to get a fifth title."

While all

